

INTERNATIONAL Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Paris, Saturday-Sunday, January 7-8, 1995

No. 34,792



A Chechen dancing for his comrades Friday in Grozny despite a fierce Russian mortar and artillery attack. Hundreds have been killed in and around the capital.

France Warms to Iraq, Angering U.S. and Britain

By William Drozdiak

Washington Post Service

PARIS — In a political opening designed to end the ostracism of Iraq by the West, France welcomed a senior Iraqi leader Friday on an official visit for the first time since the 1991 Gulf War and announced that it would soon open a diplomatic mission in Baghdad.

France's foreign minister, Alain Juppé, held a 90-minute breakfast meeting with Iraq's deputy prime minister, Tariq Aziz, to discuss prospects for easing international sanctions now that Iraq has recognized

Kuwait's borders and complied with United Nations resolutions that require the destruction of all weapons of mass destruction.

The UN Security Council is scheduled to review Iraq's compliance on Jan. 17 to determine whether Baghdad has displayed sufficient good faith to warrant lifting an embargo on the sale of its oil. France, along with Russia and China, favors easing sanctions against Iraq, while the United States and Britain remain fiercely opposed.

[The United States sharply criticized

France's decision on Friday, Reuters reported from Washington. "We do not believe that this is a timely action," a State Department spokeswoman said. "We don't consider the particular decision to be helpful or constructive. Iraq continues to defy the international community and to violate many UN Security Council resolutions."

The United States and Britain claim that Saddam Hussein's regime is inextricably dangerous and cite maneuvers last October, when units of Iraq's Republican Guard moved ominously toward the Ku-

waiti border, as evidence of Iraq's continuing hostility toward its neighbors and the international community.

The Iraqi troops were later withdrawn after the United States dispatched soldiers, planes and armor to reinforce Kuwait's defenses.

But Mr. Juppé insisted that new efforts should be made to break the deadlock over

sanctions. He acknowledged, however, that Iraq should take further steps to abide by UN resolutions by resolving the "painful issue" of Kuwaiti war prisoners and

See IRAQ, Page 4

Japanese Cars Breeze Through Barrier of U.S. Price Increases

By James Bennett

New York Times Service

DETROIT — American automakers are celebrating a banner 1994, a year of ready customers and soaring profits. But one stubborn fact has emerged: The Japanese automakers, despite offering higher-priced cars against American vehicles of improved quality, did not lose any of their share of the U.S. car and truck market last year.

In fact, they gained share, and the Big Three automakers lost some.

Last year demonstrated how fiercely — and adroitly — the Japanese automakers will fight to retain American customers against tough odds.

The yen strengthened against the dollar to record levels last year, making it far more costly to import cars from Japan. And the Japanese economy continued to sag, restraining car makers from using profits at home to subsidize their operations in the United States.

But they kept bringing buyers into their showrooms by holding down price increases on popular models, emphasizing lease deals, shifting more production to the United States and introducing new, appealing cars and trucks.

"Anyone who underestimates the Japanese is in big, big trouble," said Robert Eaton, chairman and chief executive of Chrysler Corp.

In a business where a tenth of a point of market share is contested like Helen of Troy, the Japanese automakers gained two-tenths of a point to finish the year with 23.3 percent of the American car and light-truck market.

The European automakers also gained ground in 1994, although they remain relatively minor players in the United States. They finished the year with about 2.6 percent of the market, up four-tenths of a point.

In reporting sales for December and the entire year, the Big Three said this week that they lost seven-tenths of a point to finish with 73.2 percent. Every tenth of a point this year represented 15,000 sales — as many sales as Jaguar had in the United States and more sales than Land Rover.

See CARS, Page 4

Kiosk

Talks on Sealing Bosnia Truce Fail

SARAJEVO, Bosnia-Herzegovina (Reuters) — Talks to cement the ceasefire in Bosnia broke down Friday amid Muslim-Serbian disputes over a demilitarized zone and crippling preconditions posed by each side, United Nations officials said.

The UN peacekeeping commander in Bosnia, Lieutenant General Michael Rose, stalked out of the meeting at the Sarajevo airport without a word, and rival negotiators accused each other of trying to sabotage the truce that took effect on New Year's Day.

Related article, Page 2

Classified Advertising Page 11.

| Dow Jones | Up | Trib Index | Down |
|-------------------|------------|----------------|------|
| 16.49 | 0.94% | 110.81 | |
| 3867.41 | | | |
| The Dollar | | | |
| New York | Fit. close | previous close | |
| DM 1.5635 | 1.5607 | | |
| Pound 1.5495 | 1.5631 | | |
| Yen 101.375 | 100.875 | | |
| FF 5.3988 | 5.3533 | | |



A GIANT ON SKIS — Alberto Tomba, Italy's superstar, winning the giant slalom Friday in Kranjska Gora, Slovenia, for his sixth triumph this season. He is now one victory away from third place on the all-time World Cup list. Page 16.

The Global Stage: New Congress Unlikely to Alter Script

By Paul F. Horvitz

International Herald Tribune

WASHINGTON — Imagine that in a single sweeping shakeout, the chief executive officers, top management and middle-level staffs of every bank, investment house and law firm in New York were replaced overnight.

That is the analogy Robert Hormats draws when he tries to explain to non-Americans the breadth of the political rev-

olution that placed Republicans in control of the U.S. Congress this week for the first time since 1954.

"It's a profound shift in personnel and philosophy of governance," says Mr. Hormats, vice chairman of Goldman Sachs (International).

Yet he and other analysts who observe Washington through a global lens are not suggesting that new faces will mean startling new policies. Although U.S. domestic

affairs may be radically altered by the White House decisions will take on an assertive tone. And above all, Congress's grip on the purse strings will tighten, making any foreign move by the president that costs money subject to Republican approval.

To be sure, the debate on policy-making and the meaning of vital U.S. interests will intensify. On Bosnia, for example, it already has. And the 1996 presidential race will do nothing to lower the volume.

Defense spending may turn a corner and

rise slightly. Congressional oversight of White House decisions will take on an assertive tone. And above all, Congress's grip on the purse strings will tighten, making any foreign move by the president that costs money subject to Republican approval.

Dues payments to the United Nations and other multilateral institutions are certain targets. And U.S. peacekeeping roles

See POLICY, Page 4

Moscow Rift Over Who Directs Battle In Chechnya

Yeltsin Demands Reply On Why Order to Stop Bombing Was Ignored

By Lee Hockstader

Washington Post Service

MOSCOW — More doubts were raised on Friday about who is running Moscow's war in the breakaway republic of Chechnya as President Boris N. Yeltsin demanded to know why Russian warplanes continued to attack the Chechen capital, Grozny, after he ordered that the bombing there be halted.

Mr. Yeltsin, who gave the order on Wednesday, said he wanted "absolutely clear information" from Defense Minister Pavel S. Grachev on whether it has been obeyed. The Russian bombing in and around Grozny has caused hundreds, possibly thousands of civilian casualties.

"This was announced to the entire world and all of Russia knows about it, but there is information" that the bombings have not been stopped, he said, referring to reports that aerial attacks on Grozny continue.

At the same time, the atmosphere of crisis and foreboding in Moscow deepened with the news that Mr. Yeltsin had canceled two scheduled public events: a ceremonial laying of the first stone at a Moscow landmark Saturday, and his state of the union address to a joint session of the Parliament next Wednesday. The Russian leader has appeared on television but not in public since he sent troops into Chechnya on Dec. 11.

In a new pressure to end the fighting, President Bill Clinton sent a letter to Mr. Yeltsin appealing for a halt to the attacks to reduce civilian casualties. The Associated Press reported from Washington.

[Mr. Clinton expressed support for the territorial integrity of Russia and backed the notion that Chechnya is part of Russia, but also warned, "We are concerned about enormous civilian casualties."]

Also Friday, it was reported that Mr. Yeltsin has dismissed the director of the only state-owned television company that has dared to broadcast frank reports and footage of the war in Chechnya. The Russian human-rights commissioner, Sergei A. Kovalev, said Mr. Yeltsin told him in a meeting Friday that he had signed an order dismissing Oleg Popstov, head of the Russian Television and Radio Co.

In another development, Mr. Yeltsin's Security Council resolved to press ahead with the military campaign to "eliminate illegal armed groups" in Chechnya, Russia's Interfax news agency reported.

Reports from Grozny, which remains firmly in Chechen hands after nearly four weeks of war, said Russian artillery rained shells on the center of the city for much of Friday.

Most observers say they still expect another major Russian assault on Grozny despite the spectacular failure of the one launched on New Year's Eve and intense domestic and international opposition to the war. There have been reports in recent days that Russian reinforcements are moving toward the city.

Mr. Yeltsin's remarks on the bombing in Grozny were greeted here with considerable skepticism. A similar order from the Russian president last week was followed hours later by renewed bombing raids that destroyed an orphanage. At the time, the president said nothing.

General Grachev was quoted as telling Mr. Yeltsin in a meeting of the Security Council that there had been no bombing of Grozny since Dec. 23. "Not a single bomb has dropped over Grozny" since that date, Vladimir Shumeiko, who attended the council's session as head of the upper chamber of Parliament, quoted General Grachev as saying.

"Oh, give me a break," said a Western official in Moscow when he heard that Mr. Yeltsin had demanded to know whether bombing was continuing in Grozny. "He can turn on CNN and find out."

Nonetheless, there have been questions raised throughout the Chechen crisis about the extent to which the president is in control of events. Many commentators here have portrayed Mr. Yeltsin as being manipulated by his small Kremlin entourage, which is said to provide him with a distorted picture of events on the ground

See RUSSIA, Page 4

Germany's War Debts: After 62 Years, the Check Is in the Mail

By Floyd Norris

New York Times Service

NEW YORK — Sometimes a bad debt turns good. You just have to wait more than half a century.

Between the two world wars American investors lent Germany the huge (for the time) sum of \$210 million as part of the first great international effort to bail out a bankrupt country. Hitler later defaulted on the loans.

Now the German government is taking steps to pay back the last of the money.

For decades, the chances of the new payments being made seemed remote. In 1953 an international conference decided that Germany would have to pay only after the divided nation was reunified — a prospect that, at the height of the Cold War, seemed unlikely.

But 62 years after the default, the government of a reunited Germany is offering the lenders — or, more likely, their descendants — new bonds that will ma-

ture 15 years from now, 86 years after the original loans were made.

The loans were made to Germany to allow it to make reparations payments that the European Allies had demanded after World War I. After World War II, however, the Allies were more concerned about not repeating the mistakes they made after the first war by saddling Germany with bills it could not pay.

Meeting in London in 1953, the Allies agreed that no money would have to be paid unless, and until, Germany was reunified. In the meantime, no further interest would accrue.

West Germany paid off the principal by 1980, and the interest was all but forgotten — until Wednesday, when a German bank placed an advertisement in The New York Times describing the terms of the offer.

American bondholders will get new German government bonds, paying only 3 percent interest, and maturing in 2010. They will also get back interest to

1990. Americans who think they are owed money have been told to contact Deutsche Bank in New York.

The unpaid debt to American investors is about \$70 million, said Frank Morgenbader, vice president of the Federal Debt Administration in Germany.

The saga of the bonds began in 1924, when the Dawes Conference was convened to find a way for Germany to meet its reparations payments — and to get France and Belgium to retreat from the industrial Ruhr Valley, which the two countries had occupied in an effort to force payment.

Americans bought \$10 million of the \$200 million in German bonds sold that year. At a time when the market rates for good credits were less than 5 percent, the Dawes bonds had a coupon of 7 percent and were sold at a discount that made their actual yield about 7.6 percent — the equivalent, in today's terms, of junk-bond rates.

At first, bankers were less than eager to sell the

bonds. But when Secretary of State Charles Evans Hughes began warning of "chaotic conditions abroad," they did such an enthusiastic job that the bonds leaped to a premium when trading began, and the Dawes plan was widely hailed as solving the problem.

By 1929, however, Germany was in trouble again. A new international bond issue was agreed to, with Americans putting up \$100 million when the bonds were sold in 1930.

That was widely, and wrongly, viewed as solving Germany's financial problems once and for all.

Germany defaulted in 1933, and it was not until the 1950s that the lenders began to get any of their money back.

Now, with the newest bonds being issued, one of the great international financing stories of the 20th century is finally nearing resolution.

| Newsstand Prices | |
|------------------|-------------------------------------|
| Andorra | 9.00 FF Luxembourg 60 L. Fr |
| Antilles | 11.20 FF Morocco 12 Dh |
| Cameroun | 1.400 CFA Qatar 8.00 Riyals |
| France | E.P. 5000 Réunion 11.20 FF |
| Gabon | 9.00 FF Saudi Arabia 9.00 R. |
| Greece | 9.60 CFA Senegal 9.60 CFA |
| Italy | 2.400 Lira Tunisia 1.000 Din |
| Ivory Coast | 1.120 CFA Turkey T.L. 45.000 |
| Jordan | 1.10 D. U.A.E. 8.50 Dinar |
| Lebanon | U.S. \$1.50 U.S. Mil. (Eur.) \$1.10 |

Russian Army's Might and Myth Shattered in Grozny

By Lee Hockstader
Washington Post Service

MOSCOW — Is the Russian Army the gang that couldn't shoot straight? That is the unavoidable question being asked here following Moscow's humiliating military debacle in Grozny. A New Year's attack on the Chechen capital failed spectacularly, leaving hundreds of Russian troops dead and wounded and the city still in the hands of ragtag rebels.

To be sure, the Chechens are legendary fighters — well armed, dangerous, and willing to die for their cause. They enjoy high morale and the tactical advantages inherent in defending a city.

But Russian blunders and bungling — in preparation, tactics, personnel and strategy — are at least as much to blame for Moscow's bloody nose, military analysts said. They predict that given Russian planning, which seems more suicidal than strategic, much more blood may be spilled before Russian troops take control of the wrecked city.

"Could this really be the same army that the West looked at with such fear for 40 years?" Pavel Felgenhauer, military editor of the newspaper *Sevost*

ya, wrote in the *Moscow Times*. For many Western military specialists, the failure of the Russian assault came as a shock. Having spent their careers planning how to fight the mighty Russian Army in Europe, some experts were stunned when Russian troops proved incapable of taking a republic whose land mass is slightly larger than the Bahamas.

"One can't believe that anyone would have gone ahead with things the way they did unless they had no alternatives," said Andrew Duncan, senior military analyst at the International Institute for Strategic Studies in London.

"The most stupid thing was to drive through the center of Grozny with armored vehicles expecting to capture the palace in the middle of the city," he added. "People don't like driving tanks down the streets unless they know their own soldiers are in the houses on either side. It's a very dangerous journey."

So the Russians discovered. In their surprise attack New Year's Eve, Russian armored columns thrust into the city following an artillery and aerial barrage. They headed for the presidential

palace, where the Chechen leader, Dzhokar Dudayev, was believed to be holed up, as well as the railroad station and other key points.

But the attempt to storm Grozny with tanks and armored personnel carriers was ill-conceived — typically so, according to some analysts.

"Their tactics were absolutely atrocious," said Bernard Trainor, director of the National Security Program at Harvard University's Kennedy School of Government. "The same sort of thing they did in Afghanistan, they're doing in Grozny: sucking with an armored mentality, staying on the road, not getting out of their vehicles. It's the worst way to go about it."

General Trainor, retired from the U.S. Marine Corps, runs an annual two-week seminar at Harvard for senior Russian military officers.

"They're still operating off their recipe book for fighting the NATO forces: massive armored units plowing headlong without regard for opportunities or unexpected reverses," he said. "That's the way they trained for NATO. So when they're faced with a situation that's not in the mold of what they were trained for when fighting on

the plains of Germany, they just don't know how to handle it."

In the storming of Grozny, forward columns of the Russian armored assault were cut off from their backup units. Surrounded by Chechens, they were ripped to shreds with anti-tank weapons. Their incinerated vehicles and bodies remain on the streets of Grozny.

The Russian defense minister, General Pavel S. Grachev, seemed to realize that such a tactic would be folly.

"It would never allow tanks and artillery to participate in combat within a city," he said in November. "It's the height of unprofessionalism."

But General Grachev inexplicably ordered precisely such an assault on Grozny.

Moreover, some of the troops sent into the city were raw recruits, with barely a month's service behind them.

There were reports of units getting lost on their way into Grozny and of Russian tanks mistakenly firing on each other. What was lacking was infantry — tough, tested foot soldiers who would fight house to house, street to street.

"The Russian Army simply has too

many aging tanks and not enough well-trained infantry," Mr. Felgenhauer wrote in the *Moscow Times*.

He said the Soviet Army's failure in Afghanistan and the Russians' experience in Chechnya had punctured the myth of Moscow's military power.

"If an attack on Western Europe had indeed taken place, Russian tanks would have burned in the streets of Germany just as they are burning now in Grozny," he wrote. "Our forces not only would not have made it to the English Channel; they would have been defeated before they even reached the Rhine."

In the final years of Soviet power and the three years since communism's collapse, the army's health has declined sharply as severe budget cuts and withdrawals from Eastern Europe and the Baltic states have taken their toll.

Today, Mr. Felgenhauer wrote, "the Russian Army does not really have any units."

"All units are understaffed, under-trained and not battle-ready," he added. "Those that are currently fighting in Chechnya are practically the best we have left."

Under Fire, Chechens Keep Hold On Capital

Compiled by Our Staff From Dispatches

GROZNY, Russia — Chechen fighters clung to the center of Grozny on Friday despite fierce Russian artillery and mortar fire.

Hundreds of Chechens toting Kalashnikov assault rifles and grenade launchers swarmed through the side streets leading to the central Freedom Square in front of the presidential palace.

Shells and mortar bombs pounded the square at the rate of four to five rounds a minute at times, blasting plumes of dust and debris skyward and spraying nearby buildings with shrapnel.

Despite the intense bombardment, Chechens moved across the open ground and into the palace.

"Look around, this is like the United States bombing California," said Musar, a 33-year-old Chechen draped in bandoliers of ammunition for his light machine gun.

Sporadic sniper and small-arms fire indicated little direct contact between infantry forces in the center of the city on Friday. The Russians seemed to be pouring shells into the area and along surrounding streets to prevent guerrilla movements, but it appeared to have little effect.

Reporters who entered the presidential palace, which some reports suggested had fallen to the Russians on Thursday, found it packed with Chechen soldiers and some civilians, including women sheltering in the building's basement.

About 200 Chechen fighters brought up to Grozny as reinforcements were stopped from getting into the city by the shelling. "We wanted to defend the presidential palace, but we have to wait for things to calm down a bit," said one.

Russian units were dug in around the central railroad station, the Lenin Culture Palace in the west and the main hospital in the north of the city.

Chechen fighters, expecting a Russian assault, said the Russian artillery was aiming to take out a key bridge just above Lenin Avenue, but that after three hours of shelling the bridge was still intact.

"The Russians are completely destroying the town so that their tanks and their soldiers can get through," said another armed Chechen, Said Akhmadov. "That must mean there will be a new assault within three days."

Moscow sent thousands of soldiers and tanks into the mostly Muslim republic on Dec. 11 to crush the three-year-old secessionist drive by the government under Dzhokar Dudayev, a former Soviet Air Force general.

A first attempt to storm Grozny with tanks and armored vehicles was beaten back last week by small bands of poorly armed Chechen fighters, leaving dozens of Russian vehicles destroyed and scores of Russian soldiers dead or captured.

WORLD BRIEFS

North Raises Issue of Kim's Health

SEOUL (AP) — In the second indication in two days that North Korea's leader could be ill, its official press reported Friday that calls for his good health were pouring in from around the nation.

Kim Jong Il, 52, has not formally taken power seven months after the death of his father, Kim Il Sung. The government made public television footage this week that it said showed Mr. Kim visiting an army unit on New Year's Day, but he did not make a New Year's Day address, as his father customarily did. His reclusiveness has led to speculation that he may have diabetes, or kidney or liver ailments.

The North Korean press agency KCNA reported Friday that people from all walks of life had sent Mr. Kim 100 kinds of medicinal herbs, wood carvings and other gifts to wish him longevity. The South Korean news agency Yonhap noted Thursday that the North's Communist Party newspaper, *Rodong Sinmun*, had reported on Dec. 17 that villagers were braving freezing rain to search for ginseng for Mr. Kim.

Gunmen Kill Algerian Journalist

ALGIERS (AP) — A journalist who was recently threatened with death by Islamic militants was shot and killed Friday near his home, his newspaper said. A reporter for the state-run radio was wounded and hospitalized in a separate attack.

Zine Eddine Aït Salah, 35, an investigative reporter for the Algiers daily *Liberté*, the country's largest French-language newspaper, was shot by two men near his home, his colleagues said. No arrests were reported. He had been threatened in a recent clandestine newsletter issued by a guerrilla group waging an assassination and sabotage campaign to destabilize the government.

The radio reporter, Ali Abboud, was wounded in an attack in the southern suburb of Birchidene, his colleagues reported. No details were available. More than 20 Algerian journalists have been killed since May 1993, when they became targets of extremists seeking to topple the military-backed government and install an Islamic state.

4 Die in Battle Despite Somali Truce

MOGADISHU, Somalia (Reuters) — Four people were killed and a dozen others were wounded on Friday when fighting between Somali militias broke out in the capital, Mogadishu, violating a cease-fire only a day after it came into force.

Witnesses who reported the toll said that gunmen from the Abga and Murusade clans battled in the Berruda district, bordering the city's United Nations-held port, in the worst fighting since the cease-fire took effect on Thursday morning.

The battle with machine guns, mortars, recoilless cannon and anti-tank rockets lasted from dawn until midday, according to a UN military spokesman. Each side accused the other of shooting first.

Iran's Air Force Chief Dies in Crash

TEHRAN (AFP) — Iran's air force chief, his deputy and four other senior officers were among 12 people killed when their plane crashed in central Iran, officials said Friday.

General Mansour Sattari, Deputy General Mostafa Ardestani and four other officers were killed along with six crewmen when their plane crashed late Thursday as it tried to return to the Isfahan airport after "technical difficulties," the officials said, adding that the plane had taken off for the capital, Tehran.

General Sattari, 46, who served in the air force under the shah before the 1979 revolution, commanded Iran's air defenses in the war with Iraq. He was considered the architect of the reconstruction and modernization of the air force, which was badly damaged in the 1980-88 war.

For the Record

Three Russian soldiers died in a clash with Islamic fighters in the Islamic Republic of Tajikistan, the second such incident this week, Interfax news agency reported on Friday. (Reuters)

Former President Kamuzu Banda of Malawi and a close associate were formally charged on Friday with the 1983 murder of four politicians, state-owned radio said. (Reuters)

Correction

An agency report in the Travel Update column in Tuesday's editions about trans-Atlantic fare reductions by Lufthansa erred in not saying that the fares are available only from New York and Boston to Frankfurt.

TRAVEL UPDATE

French and Dutch Snow Disruptions

PARIS (Reuters) — Heavy snow across Western Europe brought chaos to roads in France and the Netherlands on Friday and even briefly closed the airport in Marseille on the Mediterranean.

The first snowfall in several years in Marseille affected flights for a short time, but both Roissy-Charles de Gaulle and Orly airports were kept open in Paris. Some flights in and out of the city were delayed slightly, while many travelers were delayed by the icy approach roads, airport officials said.

Much of the Netherlands was brought to a virtual standstill in the morning, with roads clogged, many trains canceled and flights disrupted at Amsterdam's Schiphol airport after up to 10 centimeters (4 inches) of snow fell overnight. A Dutch news agency reported that Schiphol was forced to close one of its three runways, meaning delays of up to one hour on all flights. Dutch traffic policemen advised drivers to stay at home.

El Al will resume flights to Russia on Monday after resolution of a dispute over airline security, the Israeli Ministry of Transport said Friday. Israel also lifted its threat to half Russian flights to Israel. The Israeli airline had canceled its flights Jan. 7 after Russian police barred El Al security agents from carrying weapons at Moscow's Sheremetyevo airport. (Reuters)

British Engineers Prod London on Ferry Safety

LONDON — Vital safety improvements that would enable passengers to escape from ferries of the type that went down in the Baltic in September are being introduced too slowly, according to a report published Friday by Britain's leading engineering body.

The Royal Academy of Engineering said Britain should consider restricting use of the country's ports by the vessels, known as roll-on/roll-off ferries, if international requirements were not revised immediately.

The report was prompted by the sinking of the ferry *Estonia*. More than 900 people were killed in the Baltic disaster, which investigators blamed on faulty ferry design.

About 1,100 people have died in disasters involving roll-on/roll-off ferries in Europe since 1987, the report said.

Roll-on/roll-off ferries have huge decks front and rear to allow cars and trucks to drive on and off. Because of their huge open decks and lack of an internal bulkhead, they can be destabilized quickly by a relatively small amount of water on the car deck.

The report recommended that such ferries be modified to stay upright for at least 30 minutes after taking water onto the car deck.

The International Maritime Organization, the United Nations shipping authority, has set a timetable for modifications of these types of ferries extending to 2005.

However, the report recommended that Britain shorten the timetable — "in conjunction with other European countries, or if necessary alone."

The report urged Britain's Department of Transport to require a detailed analysis of ferries' safety features before granting operating licenses. It also recommended that ferry operators adopt more stringent quality assurance measures to reduce the possibility of human error.

Allies Set for Another Round of Bosnia Peace Talks

By Craig R. Whitney
New York Times Service

BONN — The United States and four other countries trying to broker a peace settlement in Bosnia will soon begin a new round of shuttle diplomacy among the warring parties, a senior official of the group said Friday.

Officials of the five-nation contact group met in Bonn on Thursday and said they would convene again in Paris on Tuesday. One participant said they hoped by then to have agreement on a plan to turn the four-month cease-fire that has taken hold in Bosnia in recent weeks into a lasting peace.

This would require acceptance by Bosnian Serbs of a plan that was backed by the Muslim-led Bosnian government and its Croatian allies last summer. That proposal would divide the territory of the country, with the Serbs getting 49 percent of the land area instead of the 70 percent they now hold.

Foreign ministers of the five countries — Britain, France, Germany, Russia and the United States — agreed in Brussels last month to offer the Serbs the possibility of making changes in the map that went with the peace plan if they could get the other parties to agree.

But the Bosnian Serbs so far have refused to accept the plan before starting such negotiations, as demanded by the Bosnian government.

"The basic problem for the Bosnian Serbs is the map," an official said Friday.

The Serbs have said they would like to eliminate the eastern Muslim enclaves of Srebrenica and Gorazde, claim a part of Sarajevo and widen the corridor through



A Bosnian Serbian official heading past French peacekeepers Friday in Sarajevo to meet with the UN commander. But later, the negotiations on cementing the new Bosnian cease-fire broke down amid Muslim-Serbian disputes.

territory held by the Muslims and Croats.

But, the official said, "they don't want to give up anything."

"You don't know until you get face to face with the parties what they will finally agree to," the official added. "and probably we will decide on some kind of shuttle diplomacy after next week to see."

A statement on the Bonn mission, issued by the German Foreign Ministry, called on the warring parties to let international food and medical convoys through, especially to the Muslim enclave around Bihać.

Some members of the contact group believe that the threat of wider violence and a stalemate with the Muslim government forces, could spur the Bosnian Serbs into serious negotiations.

Officials from the North Atlantic Treaty Organization and the countries contributing to the UN force agreed last month to provide more troops, heavier arms and better communications equipment.

Officials from the North Atlantic Treaty Organization and the countries contributing to the UN force agreed last month to provide more troops, heavier arms and better communications equipment.

"My fear is that there would be a fairly immediate escalation," he said.

"It puts those forces that are on the ground now in a more difficult situation."

Mr. Dole, in making the lifting of the arms embargo against Bosnia one of his legislative priorities, said Wednesday the embargo facilitated Bosnian Serbian aggression.

The proposal would widen

the war and endanger thousands of UN peacekeepers, said Admiral Leighton W. Smith Jr., commander of NATO forces in southern Europe.

But with Bob Dole of Kansas, the new Republican majority leader in the U.S. Senate, vowing to press the Clinton administration to lift the arms embargo so that the Bosnian government can better defend itself, the diplomats also are under pressure to produce results soon.

But with Bob Dole of Kansas, the new Republican majority leader in the U.S. Senate, vowing to press the Clinton administration to lift the arms embargo so that the Bosnian government can better defend itself, the diplomats also are under pressure to produce results soon.

But with Bob Dole of Kansas, the new Republican majority leader in the U.S. Senate, vowing to press the Clinton administration to lift the arms embargo so that the Bosnian government can better defend itself, the diplomats also are under pressure to produce results soon.

But with Bob Dole of Kansas, the new Republican majority leader in the U.S. Senate, vowing to press the Clinton

THE AMERICAS / A CHRONICLE OF THE AMERICAS

Congress Warms to Balanced-Budget Move

By Robert Pear
New York Times Service

WASHINGTON — Congress will soon approve a constitutional amendment to require a balanced federal budget, according to senators from both parties, even though there are profound uncertainties about how it would be enforced.

The Clinton administration attacked the proposal, a central goal of the new Republican majority in Congress, saying it would worsen future recessions and create an avalanche of lawsuits by people trying to enforce or resist its spending limits.

Alice M. Rivlin, director of the Office of Management and Budget, said: "The deficit rises whenever the economy weakens. Such temporary increases in the deficit act as economic stabilizers."

Without such stabilizers, she said, "we would have worse recessions."

But at a hearing of the Senate Judiciary Committee on Thursday, Republi-

cans and some Democrats said they found the administration's arguments unconvincing. Senator Paul Simon, Democrat of Illinois, said states with balanced-budget amendments had not been inundated with lawsuits.

[Democratic leaders met with President Bill Clinton at the White House on Friday to forge a minority strategy on the amendment. The Associated Press reported.]

[After the meeting, the House minority leader, Richard A. Gephardt of Missouri, said the Democrats would press to link the amendment to legislation requiring specific spending cuts or tax increases.]

[It is a positive thing to balance the budget," he said. "But people need to know exactly what that means in their lives.]

New estimates issued Thursday by the Congressional Budget Office showed the federal budget deficit declining from \$203 billion last year to \$176 billion this

year, then climbing to \$284 billion in the year 2000 and \$351 billion in 2003.

Most states already require balanced budgets at the state level. But the prospects for ratification of the federal proposal are unclear. A constitutional amendment takes effect only if ratified by legislatures in three-fourths of the states. A proposed amendment is not submitted to the president for approval or veto.

At the hearing Thursday, Walter Dellinger, assistant attorney general in charge of the Office of Legal Counsel, said, "The proposed amendment fails to address the critical question of how it will be enforced." In the absence of such details, he said, "state and federal judges may well be required to make fundamental decisions about taxing and spending in order to enforce the amendment."

Thus, he testified, "the balanced-budget amendment threatens to take the power of the purse away from elected

representatives of the people and put it in the hands of an unelected judiciary." And if the courts do not intervene, he said, the amendment could be just "an unenforceable promise."

The amendment might also shift power to the president. Ordinarily, the president must spend money appropriated by Congress. But Mr. Dellinger said that under the amendment, a president could take "whatever steps he deems reasonable and necessary" to achieve a balanced budget. These steps might include budget cuts, new fees and maybe even tax increases, with or without explicit authorization from Congress.

Despite the administration's arguments, the Senate Democratic leader, Thomas A. Daschle of South Dakota, said he supported the balanced-budget amendment.

Senator Orrin G. Hatch, the Utah Republican who heads the Judiciary Committee, acknowledged there might be problems with enforcement.

After Low-Brow Comment, A White House Invitation

Compiled by Our Staff From Dispatches

WASHINGTON — In an effort to quiet the frenzy over what Newt Gingrich really thinks about her, Hillary Rodham Clinton has invited the new House speaker and his mother to visit her at the White House.

Mrs. Clinton wrote the invitation Thursday and gave it to her husband, who slipped it to Mr. Gingrich during a meeting with new congressional leaders. Mr. Gingrich described the note as "gracious with a lot of class," an aide said.

The furor began Tuesday, when CBS News revealed that Kathleen Gingrich had told Connie Chung, the CBS News anchor, her son thought Mrs. Clinton was "a bitch." The Georgia Republican did not deny it, but accused Ms. Chung of tricking his mother into revealing the comment.

Mrs. Gingrich made the remark after Ms. Chung urged her, "Why don't you just whisper it to me, just between you and me." (AP, WP, NYT)

Mixed Reviews for Gingrich

But Poll Also Shows Support for Republicans' Agenda

By Dan Balz
and Richard Morin
Washington Post Service

WASHINGTON — The major items on the Republican Party's agenda for the 104th Congress enjoy broad support among the American people, but there is great ambivalence about the man most identified with that agenda, Representative Newt Gingrich, the new House speaker, according to a new Washington Post-ABC News Poll.

Although only 4 in 10 Americans said they had heard or read

about the Republican Party's Contract with America, key elements of the proposal — including a constitutional amendment to balance the budget, term limits for members of Congress and welfare reform — are overwhelmingly popular with the public.

The poll indicates that the November elections resulted from the public's conclusion that they now trust Republicans more than Democrats to handle issues ranging from the economy and taxes to helping the middle class and even protect

ing Social Security retirement benefits.

But the poll also suggests that the electorate remains up for grabs politically. Nearly 7 in 10 Americans said the country was still on the wrong track, and the public was evenly divided over which party had a better understanding of the problems of average Americans.

Republicans are in the midst of a post-election glow with the voters, which is a common phenomenon, but the new poll showed that they could be in trouble when forced to explain how they will put the balanced-budget amendment into effect.

Eight out of 10 persons surveyed said they favored such an amendment. But two out of three said they would not support it if it meant cuts in Social Security retirement benefits or spending on education.

And less than half of those interviewed — 47 percent — said they would support the budget amendment if it meant that spending on welfare would have to be trimmed.

The interviews of 1,024 randomly selected adults were conducted Tuesday and Wednesday. The poll's overall results have a margin of error of plus or minus 3 percentage points.

President Bill Clinton's approval rating remains negative, with 51 percent disapproving of the way he is handling his job and 45 percent approving.

Only 35 percent said they approved of Mr. Gingrich's performance, compared with 37 percent who disapproved. Slightly more than a quarter said they had no opinion of the Georgia Republican.

Sen. Bob Dole, the Senate majority leader and a prospective challenger to Mr. Clinton in 1996, enjoys far better ratings than the president or Mr. Gingrich. Six in 10 surveyed, including half of all Democrats and three of four Republicans, said they approved of the way he was handling his job, while 45 percent approving.

The bulletin also urges providers to be wary of packages.

Following shootings last week in Brookline, Massachusetts, that left two women dead and five other people wounded, President Bill Clinton directed all U.S. attorneys to develop regional task forces involving state and local authorities to address the security and investigative needs of clinics.

The suspect in the Brookline killing, John C. Salvi Jr., 22, a hairdressing student, pleaded innocent Friday in Boston to federal firearms charges. He faces arraignment on state murder charges Monday.

Shortly after a former minister, Paul Hill, shot and killed a Pensacola, Florida, abortion doctor and a volunteer escort in July, the Justice Department sent U.S. marshals to 24 clinics in 18 cities around the country and revamped a task force investigating acts of violence against such providers.

As part of the inquiry, a federal grand jury began interviewing witnesses and potential suspects to determine if there was a national conspiracy to stop abortions through violence.

Associate Attorney General John Schmidt said it appeared that a situation had developed in which people were "trying to use violence to achieve a political objective."

"There is a sense here of urgency in dealing with that problem," he added.

Bureau of Alcohol, Tobacco and Firearms records show there have been more than 140 violent incidents at clinics since 1982, resulting in more than \$12 million worth of damage.

■ Call for Calm in Boston

The leader of Boston's Roman Catholics asked abortion opponents to attend prayer vigils at five designated churches instead of demonstrating outside clinics. The Associated Press reported from Boston.

Cardinal Bernard F. Law called for a halt to clinic demonstrations to avoid "which might engender anger or some other form of violence." He said he would designate churches for anti-abortion vigils.

William Cotter, a local leader of the anti-abortion group Operation Rescue, said he had asked members of the group to comply for now.

U.S. Keeps Payout to Haitian Returnees

Agence France-Presse

WASHINGTON — The United States has extended the deadline on a cash offer to Haitians who voluntarily return home from a U.S. naval base in Cuba, but it will continue to send back forcibly those who reject the offer, a Pentagon spokeswoman said Friday.

Lieutenant Colonel Stephen Hoehne said a group of about 100 Haitians at the

Guantánamo Bay naval base who had refused the \$80 offer would be taken back Friday aboard a U.S. Coast Guard cutter.

Immigration officials at the base had interviewed the Haitians who refused the offer and had determined that none qualified for continued "safe-haven status," Colonel Hoehne said.

She added that a separate

Coast Guard vessel was preparing Friday to take back 108 other Haitians who had volunteered to return with the cash incentive and the promise of a public works job financed by international donors.

A group of 54 Haitians, the first to be forcibly repatriated, was due to arrive in the capital, Port-au-Prince, later Friday.

Colonel Hoehne said the

State Department had decided to continue to offer the incentive to Haitians who volunteered to return even though the deadline had passed at midnight Wednesday.

Fewer than 4,000 of the original 20,000 Haitians picked up at sea were still at Guantánamo, and Colonel Hoehne said the remaining Haitians would be repatriated at a "steady pace."

Washington has said that most refugees will be returned to Haiti because conditions there had improved since the return Jean-Bertrand Aristide, the democratically elected president, on Oct. 15.

OFFSHORE COMPANIES & TRUSTS

From US \$250
Various jurisdictions

WE OFFER CITIZENSHIP & 2nd PASSPORT SERVICES

INTERNATIONAL COMPANY
SERVICES LIMITED
Sovereign House, St. John,
Isle of Man, IM4 3AL, British Isles.
Tel: +44 1624 801 800 Fax: +44 1624 801 800

Please send for your complimentary brochure

Name _____

Address _____

City _____

State _____

Zip _____

Country _____

Date _____

Signature _____

Date _____

Address _____

City _____

State _____

Zip _____

Country _____

Date _____

Signature _____

Date _____

Address _____

City _____

State _____

Zip _____

Country _____

Date _____

Signature _____

Date _____

Address _____

City _____

State _____

Zip _____

Country _____

Date _____

Signature _____

Date _____

Address _____

City _____

State _____

Zip _____

Country _____

Date _____

Signature _____

Date _____

Address _____

City _____

State _____

Zip _____

Country _____

Date _____

Signature _____

Date _____

Address _____

City _____

State _____

Zip _____

Country _____

Date _____

Signature _____

Date _____

Address _____

City _____

State _____

Zip _____

Country _____

Date _____

Signature _____

Date _____

Address _____

City _____

State _____

Zip _____

Country _____

Date _____

Signature _____

Date _____

Address _____

City _____

State _____

Zip _____

Country _____

Date _____

Signature _____

China Bolsters Drive To Subdue Activists

By Patrick E. Tyler
New York Times Service

BEIJING — Communist Party leaders in recent weeks have been sending a stream of blunt messages to China's political dissidents for them to keep a low profile or stay overseas as the country prepares for the political transition that will follow the death of the ailing Deng Xiaoping.

Western diplomats based here say the campaign is intended to chasten anyone who threatens to wrinkle the brittle political fabric of the capital this winter.

On Dec. 27, the Beijing apartment of Liu Zaifu, a prominent literary scholar living in the United States, was broken into and ransacked by five men in plainclothes neighbors said. Ten thousand books, scrolls, paintings and calligraphy were carted away.

The men said they were reclaiming the apartment under the authority of the Chinese Academy of Social Sciences, where Mr. Liu was director of the Institute of Literature in the 1980s.

The break-in occurred just as Mr. Liu was exploring the possibility of moving back to China, where he was once a powerful voice advocating democracy. Now, it seems, he has gotten the message — do not come home.

Singapore Executes Woman Convicted of Drug Smuggling

The Associated Press

SINGAPORE — A young Hong Kong woman convicted of drug smuggling was hanged Friday after a rare reprieve to let her spend Christmas with her 9-year-old son and parents.

The execution of Angel Mou Pui-Peng, 25, who was born in Macao and lived in Hong Kong, was carried out despite several clemency petitions, including one on Thursday by Amnesty International, the London-based human rights group.

The president of Portugal, Mario Soares, and the Portuguese government had also appealed for clemency.

The governor of Macao, Vasco Rocha Vieira, denounced the hanging as "incomprehensible and even revolting," the Portuguese national news agency LUSA reported.

Singapore routinely ignores such criticisms, saying its uncompromising laws have helped make the city-state generally crime-free.

Singapore's drug law mandates the death penalty for smuggling in as little as 15 grams (a half-ounce) of heroin. She was the 95th person to hang here for a drug offense.

Ms. Mou was scheduled to

Earlier in December, a student leader of the Tiananmen Square democracy movement in 1989, Wang Dan, filed a complaint in the Beijing Intermediate People's Court seeking relief from the surveillance team that had dogged his every step since last spring.

Two days later, Mr. Wang said, six or seven plainclothes agents or seven plainclothes agents cursed him and threatened to beat him to death. Mr. Wang has gone into hiding.

When a Northwest Airlines flight landed in Beijing on Nov. 24, the renowned Chinese poet Bei Dao was intercepted by security police and subjected to an all-night interrogation in which Mr. Bei was questioned about his association with the group Human Rights in China, which is based in New York.

Western diplomats based here say the Chinese leadership has moved with stealth and efficiency to prevent any political opposition from forming like the one that stirred a year ago.

China's security forces are controlling not only the dissidents inside the country, but also those living abroad. Two human rights organizations based in New York say they have uncovered a blacklist of overseas Chinese dissidents who will not be allowed to return — in many cases until 1998.



Tariq Aziz answering questions Friday in Paris after a meeting with Alain Juppé, right.

IRAQ: France Moves to End the Ostracism of Baghdad

Continued from Page 1
other foreigners still missing in
side Iraq.

France's decision to open an interest section in the Romanian Embassy in Baghdad drew immediate criticism from Britain, which complained that the move sent the wrong kind of signal and was not coordinated with other European Union partners.

"No other member state has re-established in Baghdad in this way," a British Foreign Office spokesman said. "We remain very suspicious of the Iraqi regime's intentions in the wake of the events last October. It is not the moment to relax pressure on Iraq to comply fully with UN requirements."

Mr. Aziz, who stopped in Paris on his way to the United Nations in New York, applauded the French initiative to set up a diplomatic mission in Baghdad. He said it would make easier bilateral relations with Paris and improve the carrying out of UN resolutions.

He said his country was providing full cooperation to the UN special commission in

charge of supervising Iraq's disarmament. A recent report by the commission head, Rolf Ekeus, deplored gaps in information supplied by Iraqi authorities regarding biological weapons, but conceded that Baghdad had offered much better assistance in the last six months and that a long-term monitoring system was now working.

Mr. Juppé remained coy

about whether sanctions would

be lifted in response to Iraq's behavior, noting that although "some progress has been made over the past months, more remains to be done."

Like Russia, France was one of Iraq's major arms suppliers and trading partners before the Gulf War, selling billions of dollars' worth of sophisticated weaponry to Baghdad in exchange for credit and oil shipments.

France wants to lift sanctions after a probationary period of six months, hoping that this might restore Iraq's economic health and help France recover some of the estimated \$5 billion in debts it is owed by Baghdad.

French companies, meanwhile, have been pursuing lucrative contracts that they want to consummate as soon as sanctions are lifted. A large delegation of leading French enterprises visited Baghdad last summer, and two French oil companies, Total and Elf-Aquitaine, have signed preliminary agreements to embark on exploration and development of Iraq's enormous petroleum reserves.

While French oil and business interests may loom large in the latest initiative, French officials contend that the rise of Islamic militancy throughout the Middle East also makes it imperative to contribute to political stability in the region by ending Iraq's isolation.

French diplomats said Iran's continuing hostility toward the West, its emerging military power in the Gulf and its export of terrorism should convince Western governments that it is in their own strategic interest to rebuild Iraq as a strategic counterweight to Iran's western border.

Sri Lanka And Tamils Start Truce On Sunday

By Molly Moore
Washington Post Service

COLOMBO — The Sri Lankan government and Tamil rebels who have been fighting a civil war for 11 years have agreed to a truce beginning Sunday, the first step in what could become a permanent peace, President Chandrika Bandaranaike Kumaratunga said Friday.

"I pray that this will be the dawn of a new era of peace for our long-suffering nation," Mrs. Kumaratunga told the opening session of Parliament in her first address to the body as the country's new president.

Mrs. Kumaratunga cautioned that truce was only the prelude to negotiating difficult political issues that continue to separate the warring factions, but added that the Tamil rebels and the government seemed more intent on resolving the conflict than at any other point in recent years.

The Liberation Tigers of Tamil Eelam, who represent the island's main minority ethnic group, have been fighting for an independent homeland on the northern and eastern reaches of the country since 1983. The Tamils, who are primarily Hindus, make up about 18 percent of the country's 17 million population, while the majority of Sri Lankans are Buddhist.

Mrs. Kumaratunga outlined

the tentative peace agreement, which includes a halt in offensive operations on both sides, a neutral zone separating the warring forces and six international observer teams to monitor the "no-man's-land."

The government and Tiger rebels have not been able to agree on where to reopen a land route that would allow civilian passage between the northernmost peninsula of Jaffna and the rest of the island. The overland routes have been closed since 1991, essentially isolating the civilian population on the peninsula.

In foreign policy, experts say they believe that marginal change could occur in these areas:

• Russia: Republicans are increasingly wary of President Boris N. Yeltsin's leadership and want the White House to focus more aid programs on countries on Russia's periphery. But few are demanding any sharp turn.

• NATO: Mr. Dole's fear that the North Atlantic alliance is drifting aimlessly is seen by some analysts as mere atmospherics in the dispute over Bosnia. Mr. Kimball, for one, believes a healthy, bipartisan debate about the future of NATO is likely and will serve to bolster the U.S. role in Europe.

Moreover, says Mr. DiRita, increased Pentagon budgets promised by Republicans will ease fears among U.S. allies that their share of the defense burden must rise. "We won't hear any more about pulling troops out of Europe," he says.

• Trade: Republicans have proven their belief in free trade by overwhelmingly supporting the North American Free Trade Agreement and the creation of the World Trade Organization. But Senator Jesse Helms, Republican of North Carolina, the new chairman of the Senate Foreign Relations Committee — and a strong supporter of the textile industry, which is significant in his home state — might times obscure that support.

• China: Although some Republicans have supported stronger demonstrations of U.S. support for Taiwan — a move that would surely anger Beijing — a serious policy shift is not viewed as likely. Mr. Hormats, however, says that even improved contacts with Taiwan, which many Republicans support, will be exaggerated in the news media and could temporarily chill Sino-American relations. Moreover, Mr. Helms is likely to hit China hard on trade and labor issues at every opportunity. One result could be continued opposition to China's entry into the World Trade Organization.

• North Korea: Despite grumblings from some key Republicans about the White House deal to freeze North Korea's nuclear program, there appears to be little chance it will be undone. Congress, however, may insist that U.S. financing be limited and that it formally approve the arrangement as a treaty that will be aggressively monitored.

• Mexico: With the peso crisis, this is one area the White House may find troublesome. Ross Perot, the former presidential candidate, and Richard A. Gephardt, the Democratic leader in the House of Representatives, remain skeptical of NAFTA, and the related immigration issue is highly volatile.

• Haiti: Congress could move to restrict funding for the American military presence, to which many Republicans strenuously object. The virtual occupation of Haiti puzzles many European officials as well, according to Mr. DiRita.

• Foreign aid: There is little doubt that general foreign aid will suffer, although not for the two nations that receive the biggest slices of American largess: Israel and Egypt. Global bodies such as the United Nations and the World Bank may find it harder to assure steady funding from Washington.

• Military policy: Already, says Mr. DiRita, Mr. Clinton is formulating a more focused view of national security. Republicans, he says, will help the White House along by advancing a doctrine espoused by former Defense Secretary Casper Weinberger: have clear objectives, use overwhelming force.

There were signs that Yalkoi-Mokhik is prepared not only emotionally, but militarily as well. There is not much for men to do here but talk. So when two journalists visited, about 40 men jammed into Mr. Alayev's office to listen.

He said that practically everyone present had served in the Soviet Army, and that 20 to 30 had fought in Afghanistan.

"And," added a man in the back of the room, "we have known for a long time that this would happen."

"We don't have a definite military organization," Mr. Soltageraev said, but he indicated

that was no problem. There were men, he suggested, who would automatically step into leadership positions and be accepted because of their military experience. Every village has an office where elders make communal decisions — including decisions about defense, he said.

The villages of southern

Chechnya are watching not only the fighting, but also a concentration of Russian

troops to their east, in the Russian region of Dagestan.

"We expect them to attack," Mr. Soltageraev said, "which is why we don't send all our men down to Grozny."

For all the Chechens' similarities with the Afghans, however, there are several differences. The Chechens lack a weapon against the Russian Air Force like the Stinger missiles that the United States supplied to the Afghans. The Chechens also lack the financial support provided to the Afghans by the United States and Islamic nations.

But the Chechens do have large numbers of sympathizers in the surrounding regions — Dagestan to the east and Ingushetia to the west, and the republics of Azerbaijan and Georgia to the south — who will help with money, smuggled arms and fighters.

Yalkoi-Mokhik and a neighboring village, which have a combined population of 3,000, have taken in 2,000 refugees from Grozny and nearby towns.

Mr. Kovalev has become a hero to liberals here because of his strong stance against the war and daily attacks on official lies and distortions surrounding events in Chechnya. After he met with Mr. Yeltsin on Friday, hundreds of journalists came to a news conference to hear Mr. Kovalev describe his encounter with the Russian Air Force who has never seemed a more remote figure.

He said Mr. Yeltsin listened in frosty silence as he described the situation in Chechnya and how official disinformation had distorted the real picture of events there. "Your point of view will be taken into account," he quoted Mr. Yeltsin as saying at the conclusion of the meeting.

Mr. Kovalev also met with a group of ambassadors from leading Western countries, including the United States, Britain, France and Germany, and urged them to press Mr. Yeltsin to stop the war.

He said that, according to international treaties, when large-scale violations of international agreements occur, "this is the business of the world community."

The Defense Ministry reported Friday that 256 Russian servicemen had been killed since Dec. 11, including 116 infantry soldiers, 100 paratroopers and 40 Interior Ministry troops.

Official figures said 1,000 soldiers and 100 civilians had been killed.

"When we have no more space in our homes, only then will we put them in the school," he said.

Continued from Page 1
in Chechnya. Mr. Kovalev, the human-rights commissioner, who returned this week from three weeks in Grozny, said Mr. Yeltsin assured him Friday that he had complete and accurate information about the war, which has so far been a debacle for Moscow.

Mr. Kovalev has become a hero to liberals here because of his strong stance against the war and daily attacks on official lies and distortions surrounding events in Chechnya. After he met with Mr. Yeltsin on Friday, hundreds of journalists came to a news conference to hear Mr. Kovalev describe his encounter with the Russian Air Force who has never seemed a more remote figure.

He said Mr. Yeltsin listened in frosty silence as he described the situation in Chechnya and how official disinformation had distorted the real picture of events there. "Your point of view will be taken into account," he quoted Mr. Yeltsin as saying at the conclusion of the meeting.

Mr. Kovalev also met with a group of ambassadors from leading Western countries, including the United States, Britain, France and Germany, and urged them to press Mr. Yeltsin to stop the war.

He said that, according to international treaties, when large-scale violations of international agreements occur, "this is the business of the world community."

The Defense Ministry reported Friday that 256 Russian servicemen had been killed since Dec. 11, including 116 infantry soldiers, 100 paratroopers and 40 Interior Ministry troops.

Official figures said 1,000 soldiers and 100 civilians had been killed.

"When we have no more space in our homes, only then will we put them in the school," he said.

Continued from Page 1
in Chechnya. Mr. Kovalev, the human-rights commissioner, who returned this week from three weeks in Grozny, said Mr. Yeltsin assured him Friday that he had complete and accurate information about the war, which has so far been a debacle for Moscow.

Mr. Kovalev also met with a group of ambassadors from leading Western countries, including the United States, Britain, France and Germany, and urged them to press Mr. Yeltsin to stop the war.

He said that, according to international treaties, when large-scale violations of international agreements occur, "this is the business of the world community."

The Defense Ministry reported Friday that 256 Russian servicemen had been killed since Dec. 11, including 116 infantry soldiers, 100 paratroopers and 40 Interior Ministry troops.

Official figures said 1,000 soldiers and 100 civilians had been killed.

"When we have no more space in our homes, only then will we put them in the school," he said.

Continued from Page 1
in Chechnya. Mr. Kovalev, the human-rights commissioner, who returned this week from three weeks in Grozny, said Mr. Yeltsin assured him Friday that he had complete and accurate information about the war, which has so far been a debacle for Moscow.

Mr. Kovalev also met with a group of ambassadors from leading Western countries, including the United States, Britain, France and Germany, and urged them to press Mr. Yeltsin to stop the war.

He said that, according to international treaties, when large-scale violations of international agreements occur, "this is the business of the world community."

The Defense Ministry reported Friday that 256 Russian servicemen had been killed since Dec. 11, including 116 infantry soldiers, 100 paratroopers and 40 Interior Ministry troops.

Official figures said 1,000 soldiers and 100 civilians had been killed.

"When we have no more space in our homes, only then will we put them in the school," he said.

Continued from Page 1
in Chechnya. Mr. Kovalev, the human-rights commissioner, who returned this week from three weeks in Grozny, said Mr. Yeltsin assured him Friday that he had complete and accurate information about the war, which has so far been a debacle for Moscow.

Mr. Kovalev also met with a group of ambassadors from leading Western countries, including the United States, Britain, France and Germany, and urged them to press Mr. Yeltsin to stop the war.

He said that, according to international treaties, when large-scale violations of international agreements occur, "this is the business of the world community."

The Defense Ministry reported Friday that 256 Russian servicemen had been killed since Dec. 11, including 116 infantry soldiers, 100 paratroopers and 40 Interior Ministry troops.

Official figures said 1,000 soldiers and 100 civilians had been killed.

"When we have no more space in our homes, only then will we put them in the school," he said.

Continued from Page 1
in Chechnya. Mr. Kovalev, the human-rights commissioner, who returned this week from three weeks in Grozny, said Mr. Yeltsin assured him Friday that he had complete and accurate information about the war, which has so far been a debacle for Moscow.

Mr. Kovalev also met with a group of ambassadors from leading Western countries, including the United States, Britain, France and Germany, and urged them to press Mr. Yeltsin to stop the war.



One of Nureyev's well worn ballet slippers.

Hoard of Slippers In a Nureyev Sale

 By Rita Reif
New York Times Service

NEW YORK — Rudolf Nureyev, who died of AIDS in Paris two years ago at 54, so valued his old dance slippers that he never gave any away, wore them until they collapsed and always traveled with a sack of his scruffiest pairs, just in case.

When the much-publicized collection of the Russian dancer's artworks, costumes and memorabilia is finally auctioned, after a year's delay, at Christie's here Thursday and Friday, fans for the first time will be able to bid on 47 pairs of his ballet slippers in 17 lots. The estimated prices range from a low of \$40 for one pair of pink slippers to a high of \$300 for four worn pairs stamped with his name.

The fate of many possessions from his Paris apartment remains unresolved while one of his sisters and a niece continue to challenge his will in court.

Christie's auction of 500 items will begin Thursday with the dispersal of the costumes, ballet slippers and memorabilia from Nureyev's London flat. On Friday, artworks and furnishings from his Manhattan apartment will be sold. The auction is expected to bring in about \$4.5 million, the proceeds to be divided between the two Rudolf Nureyev foundations, one in Chicago, the other in Liechtenstein.

The estimates for the dancer's costumes range from \$100, for a black ribbed-silk tunic worn in a 1963 production of "Swan Lake," to as much as \$7,000, for another outfit for the same ballet; a gold cloth tunic, awash with fake rubies and pearls. He wore that in 1978 on the "Muppet Show," dancing with Miss Piggy in something called "Swine Lake."

Furnishings from Nureyev's Manhattan apartment include a first-century Roman white marble torso, an elaborately carved Elizabethan four-poster bed, an 18th-century double harpsichord, an eight-foot-tall 19th-century Venetian glass chandelier, and a set of 12 Thonet chairs with leather seats and tapered legs, designed in 1906 by Josef Urban of Vienna.

AMONG the 19th-century decorations are the Chinese hand-painted wallpaper panels from the dining room, a copper bathtub from Paris and 47 colorful kilim carpets.

But it is Nureyev's shoes and costumes that his fans are likely to seek. "He cherished his old shoes and sent them back to the factory as often as six times to have them remade," Nicholas Terluzzi, chairman of Capezio, said. The only pair of slippers in Capezio's collection that are autographed by Nureyev are new ones he never had on his feet.

Not all the costumes on view at Christie's will be auctioned. In December, after the catalogue had gone to press, the Nureyev Foundation in Europe agreed to send 11 costumes back to London, to be added to the Royal Ballet's holdings.

BOOKS

THE NIGHT 2,000 MEN CAME TO DINNER:
And Other Appetizing Anecdotes
By Douglas G. Meldrum. 214 pages. \$16.95. Scribner's.

Reviewed by Jonathan Yardley

INTO this slender volume Douglas Meldrum has crammed a remarkable amount of information, much of it adorned by anecdote, about food and the people — most of them famous and/or notorious — who eat it. Some of this information is surprising, some useful, some amusing, and all of it interesting.

No great themes or narrative structure characterize "The Night 2,000 Men Came to Dinner"; Meldrum doesn't even bother to write an introduction, but instead leaps right in to present the results of his research. Here are a few:

• "In 1865, a young Austrian, Charles Fleischmann, came to America to attend his sister's

Seeking the Striking Image

Small Names Get Big Prices in the Right Conditions

International Herald Tribune

LONDON — All the signs are that the art market is at the beginning of an unprecedented boom, but in contrast to the extravagance of the late 1980s, it is not characterized by wild, indiscriminate buying. Some guiding principles can definitely be detected.

The most obvious is that any work of art considered to have "glamour" or "importance" by virtue of the artist's name or the

SOUREN MELIKIAN

provenance triggers a feverish bidding contest.

In Modern and Old Masters alike, there is a rush on the last celebrities whose work is available, regardless of style, but subject to one condition — the image must be striking. Take the oeuvre of Picasso in the last few weeks. It no longer seemed to matter whether it is figural, Cubist or in one of his highly idiosyncratic Expressionist manners.

When the 1952 portrait of Hélène Parmelin turned up in a Paris sale conducted by Jean-Claude Binoche on Nov. 27 at the Espace Cardin, its success seemed far from assured. Heavy angular lines emphasize contours filled with contrasted colors. The face, intended to be tragic, has a frozen look. It would have been hard to sell a decade ago because it is late, and it does not fit into the artist's most admired phases. But it is an arresting image and that sent it flying to almost 20.6 million francs (\$3.85 million).

Two days later, another portrait by Picasso turned up at Sotheby's in London. Dated May 1901, it could not have been more different. The woman, probably a cabaret performer, stands sideways on a stage. Behind, low down, a row of onlookers can be seen. There is a smirking touch to it, with reminiscences of Toulouse-Lautrec. Done in watercolor and gouache on paper, this is not the kind of Picasso that one would expect to go through the roof. It shot to a staggering £1.8 million (\$2.8 million), exceeding the estimate by a third.

The same evening, a Picasso portrait of a woman, barely identifiable as such in its late Cubist stylization, was also up for sale at Sotheby's. It made a whopping £452,000, proportionately in line with the Paris portrait.

BY contrast, an early Cubist suburban view done by Picasso in August 1908, nearly failed to make the grade. Important to the history of Cubism, it looks confused at first glance, difficult to make out for a viewer unfamiliar with early Cubism. It sold, just, for £254,500.

How crucial the instantly perceived image is, was shown the day before at Christie's by the work of a very different artist. Gustav Klimt's garden view is a late by-product of Impressionism, lacking the tense linear structure of the artist's most admired phase. Yet it slowly made it to £3.7 million, a phenomenal price for a picture that looks a bit like a piece of decorative wallpaper.

The search for a name appended to an easy image has a different impact on the Old Masters market. The pictures carrying the very greatest names have long been out of the market. Now it is the second division that is hotly disputed. Lesser names are upgraded.

When a landscape of the mid-1660s by Meindert Hobbema turned up at Sotheby's on Dec. 7, it caused the kind of stir



This 1901 portrait by Picasso fetched £1.8 million.

that a major Salomon van Ruydsael might have generated earlier. The Mauritshuis in The Hague, which had no important Hobema, campaigned for the necessary funds and pushed it to a world record £3.7 million. No such fuss was made in 1966 when a dealer bought it at Christie's for £125,000, or in 1970 when it went for £120,000.

Similar upgrading propelled a Brazilian view of the late 1640s by Frans Post to £1.2 million, another world record, courtesy of Hans Heinrich Thyssen-Bornemisza. Around 1977, when the Post was for sale in the trade, there was no museum-style competition for it — it was purchased by the British Rail Pension Fund.

The most telling sign of the new boom is that the feverish search for names attached to distinctive images now goes all the way down. Signatures that mean little if anything to the general public are respectfully looked at, particularly if touched, however faintly, by the aura of the superstars.

The little known Jan Verkolje (1650-1693), produced four or five truly good paintings in his life. One of these is the interior scene on the theme of Harmony that came up at Sotheby's. There is a faint Vermeer-like suggestion about it. It climbed to £16,500, a world record for Verkolje.

Thomas de Keyser, born 10 years earlier than Rembrandt, was one of the two leading portrait-painters in Amsterdam until the great man's fame spread. On Dec. 7, a portrait of a young woman as Flora by de Keyser rose to £98,300, helped by a Rembrandt-like atmosphere and palette. Significantly, the underbidder was Johnny Van Haefen of London, one of Europe's leading dealers in Dutch paint-

The search for a name appended to an easy image has a different impact on the Old Masters market. The pictures carrying the very greatest names have long been out of the market. Now it is the second division that is hotly disputed. Lesser names are upgraded.

When a landscape of the mid-1660s by Meindert Hobbema turned up at Sotheby's on Dec. 7, it caused the kind of stir

International Recruitment
Every Thursday
Contact Fred Ronan
Tel: (33) 1 46 37 93 91
Fax: (33) 1 46 37 93 70
or your nearest IHT office
or representative

LOAN EXHIBITION
Edgewater on the Hudson Drawing Room
New York Classical Furniture
First Quarter of the Nineteenth Century
Collection of Richard Hampton Jenrette

GALA PREVIEW
Underwritten by *Architectural Digest*
THURSDAY, JANUARY 19

**For Inquiries with Information,
or to Order Tickets:**
EAST SIDE HOUSE SETTLEMENT
Reception Office
337 Alexander Avenue, Bronx, NY 10454
Telephone (718) 292-7392 Fax: (718) 665-5532

WINTER ANTIQUES SHOW
EAST SIDE HOUSE SETTLEMENT
In the South Bronx

DE KOONING
October 27, 1994 — January 22, 1995
Allan Stone Gallery
113 East 90th Street, New York, NY 10128
Tel: 212-988-6870
(catalogue available)

GREAT BRITAIN

DURER • REMBRANDT • CLAUDE • CANALETTO • PIRANESI

• MANTEN • TURNER • WATSON •

• HOGARTH • BURKE •

• BROWNE •

• HOGARTH • BURKE •


THE TRIB INDEX: 110.31

International Herald Tribune World Stock Index © composed of 280 internationally investable stocks from 25 countries, compiled by Bloomberg Business News. Jan. 1, 1992 = 100.

120


 World Index
 1/6/95 close: 110.31
 Previous: 111.36

 A S O N D J
 1994 1995

 Asia/Pacific
 Approx. weighting: 32%
 Close: 122.56 Prev.: 124.33

Down 0.54%

 Europe
 Approx. weighting: 37%
 Close: 113.67 Prev.: 114.17

Down 0.44%

 A S O N D J
 1994 1995

 North America
 Approx. weighting: 25%
 Close: 95.67 Prev.: 96.08

Down 0.38%

 Latin America
 Approx. weighting: 5%
 Close: 98.46 Prev.: 101.35

Down 2.83%

 A S O N D J
 1994 1995

 World Index
 1994 1995

The Index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Paris, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, France, Germany, Hong Kong, Italy, Mexico, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland and Venezuela. For Tokyo, New York and London, the Index is composed of the 20 top issues in terms of market capitalization, otherwise the top 100 stocks are tracked.

| Industrial Sectors | | | | | |
|--------------------|----------------|-------------|-----------------------|----------------|-------------|
| Pr. close | Prev. close | % change | Pr. close | Prev. close | % change |
| Energy 111.40 | 111.65 | -0.40 | Capital Goods 112.44 | 112.87 | -0.38 |
| Utilities 118.03 | 120.12 | -1.74 | Raw Materials 130.86 | 132.10 | -1.09 |
| Finance 110.76 | 112.08 | -1.18 | Consumer Goods 102.80 | 103.35 | -0.53 |
| Services 107.70 | 109.37 | -1.53 | Miscellaneous 113.93 | 114.67 | -0.65 |

For more information about the Index, a booklet is available free of charge. Write to Trib Index, 161 Avenue Charles de Gaulle, 92521 Neuilly Cedex, France.

© International Herald Tribune

ECONOMIC SCENE
New York's Recovery Sputters to Halt

 By Thomas J. Lueck
New York Times Service

NEW YORK — After a long-awaited recovery that began to lift the New York region out of recession in late 1993, economic expansion and job growth have come to a virtual halt since July, and higher interest rates are further undermining the region's prospects, according to economists, executives and government officials.

Although the New York region, including New Jersey and Connecticut, shows few signs of sinking back into recession, the area's economy remains one of the weakest in the United States — where business activity in general is so robust that the Federal Reserve has raised interest rates six times since February to ward off inflation.

Whatever impact higher interest rates may have in slowing the national expansion, they seem certain to hurt the New York region.

Several of its main industries — the banks and brokerage houses of Manhattan, the military contractors of Connecticut and Long Island, and the pharmaceutical companies of New Jersey — are shedding thousands of workers and slashing salaries. Those cuts, along with increased interest rates, also are dragging down other sectors of the economy.

"Just when things started looking like they were going to improve, buyers dropped out," said Bob Sullivan, a sales associate at Prudential-Degnan Boyle

Real Estate in Montclair, New Jersey. The lagging economy could complicate plans by the governors of New York, New Jersey and Connecticut to cut taxes. And Tuesday, aides to Mayor Rudolph Giuliani said New York City's business tax revenues would be \$200 million lower than expected for the fourth quarter of 1994, largely because of weaknesses in the banking and investment industries.

The regional economy has retained pockets of growth. Tourism has soared,

helped in part by the low value of the dollar, which has made the region a bargain for foreign visitors.

In New York City, hotels reported a steady increase in the last six months in occupancy and room rates, and the region's three international airports reported a surge in both international and domestic travel. But while hotels may be full, many office buildings struggle to find renters for vacant space.

Economists say the local economy is lagging because of several factors. Wall

Street had a bad year because of a poor bond market and an indifferent stock market. And the growth in manufacturing that has fueled the U.S. recovery has largely bypassed the Northeast's aging or abandoned plants.

Furthermore, high costs in the Northeast, from housing to taxes to business expenses, have discouraged expansion.

"The contrast between the brisk job expansion that we are seeing nationally and what we are seeing here has grown even more striking," said Samuel M. Ehrenthal, the New York regional commissioner of the Bureau of Labor Statistics.

New York state has lost 13,300 jobs since July, 4,800 of them in New York City, Mr. Ehrenthal said. Connecticut lost 4,200 jobs in November after steady employment growth. New Jersey remains a bright spot, having added 15,400 jobs from July through November.

Among the region's leading industries, the securities sector, composed mainly of Manhattan's brokerage houses and investment banks, had a particularly rough time.

These companies made large profits from 1988 to 1993 and played a crucial role in leading the region to the beginning of its recovery. But in 1994, "Wall Street has been clobbered," said Matthew Drennan, an economist at New York University.

The securities industry employs only 145,000 workers out of a regional workforce of more than 12 million. The number

See NEW YORK, Page 9

CURRENCY & INTEREST RATES
Cross Rates

| | S | D | G | F | PL | Lira | D.F. | B.P. | S.F. | Yen | Cr. | Ps. | Pesos |
|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Amsterdam | 1.647 | 2.723 | 1.029 | 1.246 | 1.627 | 5.647 | 1.326 | 1.207 | 1.246 | 1.202 | 1.647 | 1.647 | 1.647 |
| Barcelona | 1.675 | 2.656 | 1.045 | 1.265 | 1.664 | 5.686 | 1.346 | 1.254 | 1.274 | 1.214 | 1.675 | 1.675 | 1.675 |
| Berlin | 1.559 | 2.625 | 1.029 | 1.245 | 1.627 | 5.625 | 1.326 | 1.207 | 1.246 | 1.202 | 1.559 | 1.559 | 1.559 |
| London (0) | 1.533 | — | 2.611 | 5.654 | 3.675 | 2.71 | 4.625 | 2.627 | 3.625 | 2.712 | 3.675 | 3.675 | 3.675 |
| Moscow | — | — | — | — | — | — | — | — | — | — | — | — | — |
| New York (D) | 1.506 | 1.635 | 1.208 | 1.230 | 1.725 | 1.21 | 1.035 | 1.14 | 1.048 | 1.048 | 1.506 | 1.506 | 1.506 |
| Paris | 1.533 | 1.624 | 1.207 | 1.229 | 1.727 | 1.21 | 1.037 | 1.14 | 1.049 | 1.049 | 1.533 | 1.533 | 1.533 |
| Tokyo | 16.12 | 15.71 | 11.13 | 11.68 | 12.67 | 5.617 | 2.367 | 2.267 | 2.367 | 2.267 | 16.12 | 16.12 | 16.12 |
| Toronto | 1.488 | 2.685 | 1.025 | 1.247 | 1.627 | 5.685 | 1.326 | 1.207 | 1.246 | 1.202 | 1.488 | 1.488 | 1.488 |
| Zurich | 1.57 | 2.627 | 1.027 | 1.247 | 1.627 | 5.627 | 1.327 | 1.207 | 1.246 | 1.202 | 1.57 | 1.57 | 1.57 |
| 1 ECU | 1.228 | 1.655 | 1.164 | 1.257 | 1.723 | 5.628 | 1.327 | 1.207 | 1.246 | 1.202 | 1.228 | 1.228 | 1.228 |
| 1 GBP | 1.204 | 1.635 | 1.164 | 1.257 | 1.723 | 5.609 | 1.309 | 1.207 | 1.246 | 1.202 | 1.204 | 1.204 | 1.204 |
| 1 USD | 1.694 | 1.620 | 1.257 | 1.771 | 1.23 | 5.620 | 1.327 | 1.207 | 1.246 | 1.202 | 1.694 | 1.694 | 1.694 |

Crossings in Amsterdam, Paris, New York, Toronto and Zurich. Rates in other cities.

To buy one pound: D: To buy one dollar; £: Units of 100; N.G.: not quoted; N.A.: not available.

Other Dollar Values

| Currency | Per \$ | Current |
|--------------------|--------|---------|--------|---------|--------|---------|--------|---------|--------|---------|--------|---------|
| Australia, \$ | 1.305 | 1.307 | 1.307 | 1.307 | 1.307 | 1.307 | 1.307 | 1.307 | 1.307 | 1.307 | 1.307 | 1.307 |
| Austria, \$ | 1.523 | 1.507 | 1.507 | 1.507 | 1.507 | 1.507 | 1.507 | 1.507 | 1.507 | 1.507 | 1.523 | 1.523 |
| Brazil, real | 1.019 | 1.019 | 1.019 | 1.019 | 1.019 | 1.019 | 1.019 | 1.019 | 1.019 | 1.019 | 1.019 | 1.019 |
| Canada, \$ | 2.622 | 2.622 | 2.622 | 2.622 | 2.622 | 2.622 | 2.622 | 2.622 | 2.622 | 2.622 | 2.622 | 2.622 |
| Denmark, krone | 4.116 | 4.116 | 4.116 | 4.116 | 4.116 | 4.116 | 4.116 | 4.116 | 4.116 | 4.116 | 4.116 | 4.116 |
| Spain, peseta | 3.293 | 3.293 | 3.293 | 3.293 | 3.293 | 3.293 | 3.293 | 3.293 | 3.293 | 3.293 | 3.293 | 3.293 |
| Switzerland, franc | 4.754 | 4.754 | 4.754 | 4.754 | 4.754 | 4.754 | 4.754 | 4.754 | 4.754 | 4.754 | 4.754 | 4.754 |

Forward Rates

| Currency | 30-day | 45-day | 90-day |
|----------------|--------|--------|--------|
| Pound Sterling | 1.632 | 1.631 | 1.631 |
| Deutsche mark | 1.593 | 1.507 | 1.529 |
| Swiss franc | 1.208 | 1.204 | 1.204 |

Sources: ING Bank (Amsterdam); ING Bank (Brussels); Banca Commerciale Italiana (Milan); Agence France-Presse (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); IMF (SDR); other data from Bloomberg, Reuters and AP.

Interactive Showdown in Vegas

SBC Buys 8.24% Of British Utility

Bloomberg Business News

LONDON — Yorkshire Electricity PLC said Friday that Swiss Bank Corp. had acquired an 8.24 percent stake in the utility valued at £127 million (\$199 million), but Swiss Bank said the move was not part of a takeover bid.

The Swiss company also is serving as the financial adviser in Trafalgar House PLC's attempt to acquire Northern Electric PLC, and analysts said Swiss Bank may have bought the Yorkshire stake as part of a transaction intended to offset

Swiss Bank Stock Rises on Rumors Of German Deal

Bloomberg Business News

ZURICH — The stock of Swiss Bank Corp. has gained nearly 8 percent in three days on speculation that the bank would form a partnership with the German insurer Allianz AG Holding or Deutsche Bank AG. The talk has offset concern about poor 1994 earnings fueled by comments last weekend from George Blum, chief executive of Swiss Bank. It has also allowed Swiss Bank shares to resist the fall in banking shares, which are suffering because of the earnings outlook and prospects for higher U.S. and European interest rates.

Swiss Bank shares finished Friday at 376 francs (\$288), up 6.

Analysts said Allianz was the more likely partner for Swiss Bank, as insurers were looking to increase revenue from financial instruments.

Deutsche Bank would not comment on the speculation, and Allianz said no one was available to comment.

NYSE

Friday's Closing

Tables include the performance of stocks up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

| 12 Month High Low Stock | | | | | | | | | |
|-------------------------|------|------|-----|------|-----|------|-------|--------|---------|
| Div | Yld | PE | \$s | High | Low | Last | Chg | Chg % | Chg Pct |
| AT&T | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Bank of America | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| General Mills | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| IBM | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Johnson & Johnson | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Merck & Co. | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Philip Morris | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Procter & Gamble | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Unilever | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Verizon | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Wal-Mart Stores | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Yankee | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |

| 12 Month High Low Stock | | | | | | | | | |
|-------------------------|------|------|-----|------|-----|------|-------|--------|---------|
| Div | Yld | PE | \$s | High | Low | Last | Chg | Chg % | Chg Pct |
| AT&T | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Bank of America | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| General Mills | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| IBM | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Johnson & Johnson | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Merck & Co. | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Philip Morris | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Procter & Gamble | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Unilever | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Verizon | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Wal-Mart Stores | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |
| Yankee | 1.20 | 15.0 | 100 | 112 | 98 | 100 | -1.00 | -1.00% | -1.00% |

Continued on Page 10

Phosphates: Not Guilty? Partly Industry-Backed Study Clears Them

Bloomberg Business News

LONDON — Phosphates, long blamed for clogging waterways with algae and killing fish, are not the principal cause of such environmental destruction, a new report asserts.

The seven-year study, released by the Netherlands Organization for Applied Scientific Research, concluded that other forms of pollution were more to blame for the excess algae clogging 70 percent of Europe's waterways.

European phosphates producers, who partly funded the study, hailed its results. But an environmental group denounced it as misleading.

The European Union paid for 90 percent of the 1 million guilder (\$575,000) study, and the environmental group, Greenpeace, however, called it "dangerous."

"There is a huge amount of evidence that shows that if you add phosphorus to water, you get an increase in algae," said David Santillo, a marine and fresh water biologist and Greenpeace representative. "The idea that phosphorus and other nutrients are not responsible for algae buildup is quite ridiculous."

John Driver, environmental director for Albright & Wilson, said he hoped the study would "lead people to exclude phosphates from the list of pollutants contributing to algae growth."

Phosphates are used to soften water and to prevent dirt from getting back into items being washed. But they also act as fertilizers for algae.

"Phosphate does not have the effect that was expected on algae pollution," said Martin Scholten, who directed the study. "It is not the prime cause; it is secondary."

Scientists reasoned that algae infestation had been caused by phosphate runoff from agricultural fields, which accounts for half of phosphate levels in most waterways, and by human sewage and detergents, which account for the other half, according to Mr. Driver.

The environmental group, Greenpeace, however, called it "dangerous."

Mr. Scholten said his study had found that

it was largely common pollutants — such as heavy metals, insecticides and oils — that were largely responsible for the spread of algae in waterways. Such pollutants kill plankton, a common predator of algae; algae then proliferate, consuming oxygen in water. As oxygen is depleted, marine life dies.

Representatives of the largest European phosphates producers, including Hoechst AG of Germany, Rhône-Poulenc SA of France, Kemira Oy of Finland and Albright & Wilson Ltd. of Britain, applauded the study.

The environmental group, Greenpeace, however, called it "dangerous."

"There is a huge amount of evidence that shows that if you add phosphorus to water, you get an increase in algae," said David Santillo, a marine and fresh water biologist and Greenpeace representative. "The idea that phosphorus and other nutrients are not responsible for algae buildup is quite ridiculous."

John Driver, environmental director for Albright & Wilson, said he hoped the study would "lead people to exclude phosphates from the list of pollutants contributing to algae growth."

Phosphates are used to soften water and to prevent dirt from getting back into items being washed. But they also act as fertilizers for algae.

"Phosphate does not have the effect that was expected on algae pollution," said Martin Scholten, who directed the study. "It is not the prime cause; it is secondary."

Scientists reasoned that algae infestation had been caused by phosphate runoff from agricultural fields, which accounts for half of phosphate levels in most waterways, and by human sewage and detergents, which account for the other half, according to Mr. Driver.

The environmental group, Greenpeace, however, called it "dangerous."

Mr. Scholten said his study had found that

Russia Lifts A Rate to Buoy Ruble

Compiled by Our Staff From Dispatches

MOSCOW — Russia's central bank raised its discount rate to 200 percent from 180 percent, effective Friday, to try to defend the ruble and curb inflation.

The bank also intervened extensively in the market to defend the ruble. The currency fell 0.6 percent against the dollar, which rose to 3,667 rubles on the Moscow Interbank Current Exchange. The ruble declined 1.4 percent Thursday.

Bankers and analysts said intervention reached its highest level Friday since an unsuccessful attempt to prop up the ruble in October.

Alexei Sittin, spokesman for the central bank, would not confirm that the bank had intervened. Both the bank and the Finance Ministry also declined to provide figures for currency and gold reserves.

Noting the bank's refusal to release figures, Brian Brown, treasurer at Chase Manhattan's Moscow office, speculated that it might be a "deliberate policy to keep the market guessing."

Government officials have warned that budget pressures could limit the central bank's ability to intervene.

As much as \$6 billion of proposed lending from the International Monetary Fund is destined for a ruble stabilization fund, but an IMF official said last week that Russia would have to meet various conditions, especially relating to its budget deficit.

Analysts estimated the cost of Russia's military campaign in Chechnya at more than \$1 billion, placing a heavy burden on the fragile economy.

Some analysts predicted Mr. Sittin would mount another challenge to the bank's management at a meeting in April.

(Bloomberg, AP)

| Investor's Europe | | | |
|---------------------------|--------------------------|--------------------------|----------|
| Frankfurt DAX | London FTSE 100 Index | Paris CAC 40 | |
| 2300 | 3300 | 2200 | |
| 2200 | 3200 | 2100 | |
| 2100 | 3100 | 2000 | |
| 2000 | 3000 | 1900 | |
| 1900 | 2900 | 1800 | |
| 1900 A'SON D J 1994 1995 | 2000 A'SON D J 1994 1995 | 1900 A'SON D J 1994 1995 | |
| Exchange Index | Friday Close | Prev. Close | % Change |
| Amsterdam AEX | 415.17 | 414.68 | +0.12 |
| Brussels Stock Index | 7,205.50 | 7,206.65 | -0.02 |
| Frankfurt DAX | 2,063.50 | 2,062.48 | -0.44 |
| Frankfurt FAZ | 767.68 | 774.05 | -0.82 |
| Helsinki HEX | Closed | 1,886.75 | - |
| London Financial Times 30 | 2,258.16 | 2,332.70 | +1.09 |
| London FTSE 100 | 3,085.00 | 3,082.30 | +1.08 |
| Madrid General Index | Closed | 284.92 | - |
| Milan MIBTEL | Closed | 10279 | - |
| Paris CAC 40 | 1,886.46 | 1,871.53 | +0.79 |
| Stockholm Aftaenstaarden | Closed | 1,889.34 | - |
| Vienna ATX Index | Closed | 1,046.96 | - |
| Zurich SBS | 924.83 | 923.86 | +0.10 |

Very briefly:

- Britain registered 7.45 percent more new cars in 1994 than in 1993, for a total of 1.19 million. December new-car registrations fell 0.67 percent from a year earlier.
- Denmark's unemployment rate fell to 11.1 percent in November from 11.4 percent in October, the lowest to that point in 1994.
- The Bank of England said net consumer credit rose to £677 million (\$1 billion) in November from £541 million in October.
- Bayerische Motoren Werke AG said its Rover Group unit would employ 300 additional workers at a new engine plant in England.
- Swissair said it planned to raise its air-cargo freight rates "in the next weeks"; the amount of the increase has not yet been fixed.
- Norway's industrial production fell 0.2 percent in November from October, the Central Statistical office said.
- The Czech Republic's unemployment rate rose to 3.3 percent in December, representing an increase of about 4,000 people from the previous month.
- Fitch-Parsons SA, the security systems unit of Cie. de Navigation Mix

NYSE

Friday's Closing
 Tables include the nationwide prices up to
 the closing on Wall Street and do not reflect
 late trades elsewhere. Via The Associated Press
 (Continued)

INTERNATIONAL HERALD TRIBUNE, SATURDAY-SUNDAY, JANUARY 7-8, 1995

| 12 Month High Low Stock | Div | Yld | PE | 1994 High | 1994 Low | 1994 Last | 1994 High Low Last | | 12 Month High Low Stock | Div | Yld | PE | 1994 High | 1994 Low | 1994 Last | 12 Month High Low Stock | | 12 Month High Low Stock | Div | Yld | PE | 1994 High | 1994 Low | 1994 Last | 12 Month High Low Stock | | |
|----------------------------|-----|-----|----|--------------|-------------|--------------|--------------------------|------|----------------------------|-----|-----|----|--------------|-------------|--------------|----------------------------|------|----------------------------|-----|-----|----|--------------|-------------|--------------|----------------------------|------|--------------|
| | | | | | | | High | Low | | | | | | | | High | Low | | | | | | | | High | Low | 1994 Last |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | ABX INC | | | | | | | 10.00 | 8.00 | 8.50 |
| ABX INC | | | | 10.00 | 8.00 | 8.50 | 9.00 | 8.00 | AB | | | | | | | | | | | | | | | | | | |

Property Shares Deepen Slide In Hong Kong

Compiled by Our Staff From Dispatches

HONG KONG — Hong Kong stocks tumbled nearly 3 percent to a 16-month low Friday amid concern that property prices in the territory would continue to slide.

Worries about higher U.S. interest rates and threats of a China-U.S. trade war added to the pressure.

The Hang Seng Index closed down 235.13 points, to finish the week at 7,683.25.

Meanwhile, with Hong Kong down some 6.2 percent this week alone, Berjaya Holdings (Hong Kong) Ltd. scrapped plans for a Hong Kong rights issue and a proper-

ty joint-venture in China because of market conditions.

Berjaya, controlled by Berjaya Group Bhd. of Malaysia, has interests in property, securities investment and freight and courier services. It said the joint-venture agreement it signed with Shanghai Huilong Real Estate Development Co. on Nov. 30 would "cease to be of any effect."

The agreement had hinged on Berjaya's ability to raise money with the share sale.

Several major property developers in Hong Kong have been offering new apartments at discounts to late-1994 prices, sparking a sell-off in property shares.

Property developers such as Wheeck & Co., Wharf (Holdings) Ltd. and Sun Hung Kai Properties Ltd. slumped after real estate companies, including Cheung Kong (Holdings), cut the prices of some apartments.

Hong Kong's decline spilled over into other Asian markets, with Tokyo falling 4.9 percent, Sydney 10.10 percent and Taipei 1.88 percent.

Investors were also concerned that the U.S. employment report due Friday would signal a robust economy, prompting the U.S. Federal Reserve Board to raise interest rates at the end of this month. That would pressure Hong Kong banks to raise rates, too.

(Bloomberg, Reuters, Knight-Ridder)

Jardine Shines In First Week In Singapore

Bloomberg Business News

HONG KONG — Jardine Matheson Holdings Ltd. surprised the skeptics with a strong performance in its first week of trading in Singapore after leaving the Hong Kong bourse.

Its shares closed Friday at \$7.80, up 9 percent from \$5.25 Hong Kong dollars (\$7.14) on Dec. 30.

The trading and investment giant moved its shares from Hong Kong in anticipation of the British colony's reversion to Chinese control in 1997.

Some analysts said Jardine was benefiting from being out of the Hong Kong limelight.

"They have been able to keep their credibility and have shown that there is light after Hong Kong," said Andrew Hall, research director at Morgan Grenfell Asia Securities.

Separately, the company's Jardine Fleming affiliate is the first foreign brokerage house to apply for full membership in the Korea Stock Exchange, its Seoul manager said.

MANILA — A consortium led by a unit of Hong Kong's First Pacific Co. won the bidding Friday for 117 hectares (289 acres) of land inside a military reservation in the country's biggest real estate deal.

The Metro Pacific Corp. consortium offered a bid of \$8.94 billion pesos (\$1.6 billion) for the property inside Fort Bonifacio, site of the Philippine army headquarters.

Under the government's program to convert military bases to civilian use, the winning bidder must draw up a development plan for 440 hectares inside the

Is Apple Too Big a Bite?

Some Say Matsushita Won't Be Tempted

Bloomberg Business News

TOKYO — Can Matsushita Electric Industrial Co. really afford to buy another American company?

Just three months after the electronics giant became involved in a highly publicized spat with MCA Inc., its film-making subsidiary, a computer-industry publication has reported that Matsushita may be thinking of buying into Apple Computer Inc.

The Jan. 16 edition of Information Week magazine reported that Matsushita, the software maker Oracle Systems Corp. and Philips Electronics NV of the Netherlands were discussing a possible takeover of Apple for more than \$7.1 billion, a 43 percent premium to Apple's current market value of \$4.98 billion.

Apple's shares were up \$3.625 at \$42.50 in over-the-counter trading Friday afternoon.

A Matsushita spokesman said the company had "absolutely no comment" on the magazine report. He said the company had no direct ties of any kind with Apple. Apple and Oracle also refused to comment on what they called "rumors."

Analysis in Tokyo said the prospect of Matsushita investing as much as \$2 billion for a stake in Apple would worry them.

Makio Inui, an analyst at Kleinwort Ben-

ton International Ltd. said that if Matsushita had money to spend, it might do better to invest it in more semiconductor or liquid-crystal display production. Demand for both of those products is booming.

Apple has been the subject of takeover rumors for several months, with International Business Machines Corp., Motorola Inc. and AT&T Corp. reported at various times to be interested.

"I can understand why Matsushita might be interested, but I don't think it would work," said Takahiko Umezawa, senior analyst in Tokyo for IDC Corp.

Apple has a reputation for creativity that Matsushita lacks, he said, and splitting Apple into separate software and hardware companies, as Information Week reported the buyers may do, would destroy that reputation.

Apple may also not have much left to offer of its old creative genius. Mr. Umezawa said. Falling earnings and Apple's troubles with selling its Newton electronic portable information tool have hit the company hard.

Analysts are also concerned that Matsushita may be considering a new U.S. venture to soon after being burned by its takeover of MCA.

"That the management could be thinking of doing the same thing again is worrying," said Mr. Inui of Kleinwort Benson.

Chip-Patent Violations Alleged

AFP-Exci News

TOKYO — Emmanuel Hazan, a former engineer for Intel Corp., filed a complaint with the U.S. International Trade Commission against six Japanese and South Korean semiconductor manufacturers for alleged patent violations, news reports said Friday.

Two Korean companies, Samsung Electronics Co. and Hyundai Electronics Indus-

tries Co., were named in the complaint. The Japanese companies named were NEC Corp., Hitachi Ltd., Oki Electric Industry Co. and Mitsubishi Electric Corp.

The complaint said the violations involved dynamic random access memory chips. It seeks to stop imports of products related to the alleged patent violations from all six companies.

■ **Samsung in Chip Deal**
Samsung Electronics Co.

said it had acquired Integrated Telecom Technology Inc., a U.S. designer of microprocessors, and two chip-related patents for \$9 million. Agence France-Presse reported.

Integrated Telecom specializes in asynchronous-transfer mode technology. Asynchronous-transfer mode is a standard for sending voice, data and video information on communication networks.

First Pacific Unit Makes Winning Bid in Philippines' Land Sale

Compiled by Our Staff From Dispatches

MANILA — A consortium led by a unit of Hong Kong's First Pacific Co. won the bidding Friday for 117 hectares (289 acres) of land inside a military reservation in the country's biggest real estate deal.

The Metro Pacific Corp. consortium offered a bid of \$8.94 billion pesos (\$1.6 billion) for the property inside Fort Bonifacio, site of the Philippine army headquarters.

Under the government's program to convert military bases to civilian use, the winning bidder must draw up a development plan for 440 hectares inside the

camp but will only initially get to develop 214 hectares.

The total area of the fort is more than 600 hectares. The army headquarters will remain where it is and will not be affected by the sale.

Metro Pacific will take a 55 percent stake in a joint venture with the government to develop the 214 hectares for residential, commercial and business use.

Other members of the winning consortium are Land & Houses Public Co. of Thailand and Kukuk Philippine Properties Inc., controlled by the Hong Kong-based Malaysian financier Robert Kukuk.

Metro Pacific's bid topped an offer by Ayala Land Inc., said Victorino Basco, head of the government's Bases Conversion Development Authority.

Metro Pacific's share of the newly bought land still has to be negotiated with the other consortium partners, said Derek Murphy, vice president of First Pacific.

While First Pacific stock finished at 5.40 Hong Kong dollars (69 U.S. cents) on Friday, down 30 cents, the company has outperformed the Hang Seng index by 79 percent in the past year.

(AP, AFP, Bloomberg)

■ **Price Too High for Manila Hotel**

The government's attempt to sell as much as 30 percent of the Manila Hotel failed when four international chains found the minimum bid too high, Bloomberg Business News reported.

Cesar Sarino, president and chief executive of the government agency that owns the historic hotel on Manila Bay, found no offers when he opened a box for bids during a ceremony. The government had set a minimum price of 280 million pesos for a 20 percent stake in the hotel and 420 million pesos for 30 percent.

China City Gives Aid to Workers

Reuters

BEIJING — China's northeastern city of Dalian, partly in response to worker protests, has doled out funds to workers from state-owned companies that are posting losses, officials said Friday.

A few dozen demonstrators,

including workers from such enterprises as well as victims of a loan scam, have gathered outside municipal government offices over the past few days to demand state help, officials and foreign residents said.

The government handed out special allowances of 200 yuan (\$23.50) to workers from troubled enterprises to help cope with soaring price increases, said an official of the city's commerce office.

The handouts were intended to aid workers ahead of the Chinese New Year, the most important festival in the Chinese calendar, when families traditionally spend for gifts, feasting and travel, the official said.

Mayor Bo Xilai, meanwhile,

proposed to the city's economic officials Monday that at least two enterprises should be chosen from various inefficient state-owned companies in the city and forced to declare bankruptcy in 1995.

One plant selected as a possi-

bility for bankruptcy in 1995 is a textile factory employing 6,000 people, an official said. Assets would be auctioned to pay off workers.

Beijing has identified compa-

ny reform, including the use of

bankruptcies, as a major objective for 1995. Currently about two-thirds of state-owned busi-

nesses are running losses.

■ **Malaysia's Budget Achieved**

Malaysia's budget achieved a third-quarter 1994 surplus of 1.1 billion ringgit (\$431 million), but its trade deficit widened because of a surge in imports of aircraft, ships and offshore installations.

■ **Daiwa Securities to Set Up Venture in Manila**

Daiwa Securities Co. will set up a joint venture in Manila on Monday that it said would make it the first Japanese company to do full-scale securities business in the Philippines.

■ **China Purchases 92 Planes from Western Manufacturers**

The Chinese Daily reported. Meanwhile, more than 40 million people traveled by air in China last year, a 19 percent jump from 1993, the Civil Aviation Administration of China said.

AFP, Bloomberg

ASIA/PACIFIC

Investor's Asia



Sources: Reuters, AFP

International Herald Tribune

Very briefly:

■ **Daimler-Benz AG** said it was negotiating with Bajaj Auto and Bajaj Tempo, two Indian companies on locally manufacturing a car that could be sold in Southeast Asia.

■ **Tibet Pearl (Holdings) Co.**, a hotelier, started selling 30 million shares to the Chinese public, making it the first Tibetan company to list on the Shanghai stock exchange.

■ **Sino Aerospace Investment Corp.** of Taiwan signed a \$96 million contract with Swissairgen Aircraft Inc. of the United States to produce a six-to-eight-seat jet transport, officials said.

■ **Taiwan's consumer price index** rose 4.09 percent in 1994, above the 3.8 percent target, mostly because of higher food prices and increasing wages in the service sector, the cabinet said.

■ **Malaysia's budget achieved** a third-quarter 1994 surplus of 1.1 billion ringgit (\$431 million), but its trade deficit widened because of a surge in imports of aircraft, ships and offshore installations.

■ **Daiwa Securities Co.** will set up a joint venture in Manila on Monday that it said would make it the first Japanese company to do full-scale securities business in the Philippines.

■ **China purchased 92 planes** from Western manufacturers last year, the China Daily reported. Meanwhile, more than 40 million people traveled by air in China last year, a 19 percent jump from 1993, the Civil Aviation Administration of China said.

AFP, Bloomberg

CAPITAL INTERNATIONAL FUND

Société d'Investissement & Capital Variable
Luxembourg, 5, boulevard de la Poste
R.C. Luxembourg B No. 8.833

DIVIDEND NOTICE

The Board of Directors has decided to pay an interim dividend of USD 0.35 (thirty five cents per share) on or after January 12, 1995 to shareholders of record on December 31, 1994 and to holders of bearer shares upon presentation of coupon nr 26. The ex-dividend date is January 05, 1995.

Paying Agent: CHASE MANHATTAN BANK (LUXEMBOURG) S.A.
5, rue Plaetis
L-2338 LUXEMBOURG

INTERNATIONAL CLASSIFIED

GOING ONCE, TWICE, SOLD!!

INTERNATIONAL ART EXHIBITIONS AUCTION SALES' COLLECTOR'S GUIDES IN SATURDAY'S INTERNATIONAL HERALD TRIBUNE TODAY PAGE 5

ANNOUNCEMENTS

Attention visitors from the U.S.!



If you enjoy reading the IHT when you travel, why not also get it at home? Same-day delivery available in key U.S. cities.

Call (1) 800 882 2884 (in New York call 212 752 3870)

FEELING low? — losing problems? SOS SOS line in English, 3 p.m.-11 p.m. Tel. (1) 47 23 80 80.

ALCOHOLICS ANONYMOUS English speakers 1-800 432 5767, 1-800 432 5767

DEPRESSIONS, ANXIETY, ETC. 1-800 432 5767, 1-800 432 5767

RELATIONSHIPS, ETC. 1-800 432 5767

ONE NAME, ONE COMPANY

BAREAS AS 24 JANUARY 1995

For Home & Office desks (local production available on demand) Replace old bureaus

100%

FRANCE (zone C) on FR/1 - 18.6%
G.D. 3.27
SCOF 4.77

U.K. zone B on E/1 - 17.5% D

Friday's 4 p.m.
This list compiled by the AP, consists of the 1,000
most traded securities in terms of dollar value. It is
updated twice a year.

AMEX

Friday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect trades elsewhere. Via The Associated Press

| 12 Month High Low Stock | Div | Yld | PE | Sks 100s | High | Low | Latest Chg/Chg |
|----------------------------|------|------|------|-------------|--------|--------|----------------|
| A | | | | | | | |
| 9 7/8 AIA Str | .60 | 7.5 | | 32 | 8 | 7/8 | 6 -1/8 |
| 3 1/2 27 ALC | - | 20 | 1620 | 31 1/2 | 30 | 31 1/2 | -1/8 |
| 1 1/8 5% ALC In w/r | - | - | - | 24 | 34 | 24 | -1/8 |
| 13/4 9% AMG | - | 20 | 25 | 10 1/2 | 10 1/2 | 10 1/2 | - |
| 26/4 20% AMG M | 1.75 | 6.0 | | 22 | 22 | 22 | - |
| 4 1/2 2 ARC | - | 474 | 3 | 22 | 22 | 22 | - |
| 25/6 19% ARF P fl | 2.38 | 11.5 | | 50 | 20 | 33 | +1/8 |
| 3 1/4 10% ARF P fl | 108 | 3.8 | | 131 | 29 | 27 | -2/8 |
| 70/4 17% ART Fd | 2.73 | 4.3 | | 126 | 63 | 63 | - |
| 5 1/2 ArtComs | - | - | - | 202 | 67 | 67 | - |
| 2 1/2 ArtComs | - | - | - | 55 | 29 | 27 | - |
| 1 1/2 Action | - | - | - | 18 | 8 | 8 | - |
| 10/4 4% AdmRsrc | 0.38 | 3 | 15 | 227 | 94 | 84 | -1/8 |
| 17/5 11% AdmMng | - | - | - | 10 | 15 | 15 | - |
| 2 1/2 3% AdmMedT | - | 4 | 482 | 20 | 19 | 19 | -1/8 |
| 4 1/2 3% AdmPhot | - | - | - | 29 | 11 | 11 | - |
| 14/2 5% AlArWrd | - | - | - | 12 | 6 | 6 | - |
| 4 1/2 2% Alcure | - | 250 | 23 | 25 | 21 | 21 | - |
| 7 3/4 5% Alcure | - | 16 | 35 | 52 | 52 | 53 | -1/8 |
| 5 1/2 AlcureCI fl | - | - | - | 50 | 24 | 24 | - |
| 18/2 13% AlcureCI fl | 1.44 | 9.6 | | 15 | 15 | 14 1/2 | -1/8 |
| 1 1/2 AlcureIsh | - | - | - | 44 | 4 | 4 | - |
| 11/2 7% AlcureH | - | 10 | 75 | 7/8 | 7/8 | 7/8 | - |
| 7 3/4 3 AlcureH | - | - | - | 4034 | 0 7/4 | 6/8 | -7/8 |
| 8 3/4 4 AlcureGr | - | - | - | 194 | 51 | 51 | +1/8 |
| 15/4 5/4 AlcureGr w/r | - | - | - | 85 | 21 | 21 | - |
| 11/2 5/4 Almndt | - | - | - | 1058 | 10 1/2 | 10 1/2 | -1/8 |
| 14/4 9% AlmndtP | 1.55 | 12.5 | | 2 | 15 | 15 | - |
| 19/4 14% AlmndtRT | 9.5 | 3.7 | | 25 | 19 1/2 | 19 1/2 | -1/8 |
| 23/4 19% AlmndtT | 1.32 | 6.7 | | 69 | 29 | 28 | -1/8 |
| 30 21/2 AlmndtT | 2.01 | 4 | 10 | 214 | 19 1/2 | 19 1/2 | - |
| 11/2 3/4 AlmndtT fl | - | - | - | 12 | 69 | 34 | -3/8 |
| 5 1/2 3/2 AlmndtT fl | - | - | - | 7 | 13 | 13 | - |
| 3 1/2 AlmndtT fl | 1.13 | 24.8 | | 9 | 39 | 33 1/2 | -1/8 |
| 14/2 17% AlmndtT fl | 1.44 | 11.0 | | 72 | 11 1/2 | 11 1/2 | -1/8 |
| 11 1/2 11% AlmndtT fl | 1.44 | 12.7 | | 20 | 16 | 16 | - |
| 15 11% AlmndtT fl | 1.80 | 15.7 | | 10 | 26 | 26 | - |
| 19/4 14% AlmndtT fl | 80 | 4.6 | 14 | 164 | 27 1/2 | 26 1/2 | -1/8 |
| 27/4 15% AlmndtT fl | 88 | 2.5 | 14 | 164 | 24 1/2 | 26 1/2 | -1/8 |
| 26/3 15/2 AlmndtT fl | 88 | 2.6 | 14 | 243 | 77 | 77 | - |
| 14/2 5/2 AlmndtT fl | 88 | 2.6 | 14 | 164 | 67 | 67 | - |
| 11/2 5/2 AlmndtT fl | 84 | 9.8 | 5 | 254 | 49 | 61 | -1/8 |
| 3 1/2 2% AlmndtT fl | - | - | - | 25 | 25 | 25 | - |
| 4 1/2 3% AlmndtT fl | - | - | - | 14 | 15 | 15 | -1/8 |
| 13/4 6/4 AlmndtT fl | - | - | - | 19 | 61 | 65 | -1/8 |
| 2 1/2 AlmndtT fl | - | - | - | 11 | 17 | 17 | - |
| 14/2 11% Amwest | - | - | - | 18 | 12 | 12 | - |
| 28/1 9% Andrea | - | - | - | 12 | 8 | 8 | - |
| 6 1/2 2% Andriola | - | - | - | 8 | 6 | 6 | - |
| 11/1 1/2 Andriola | - | - | - | 12 | 6 | 6 | - |
| 11/2 4% Andriola | - | - | - | 25 | 10 1/2 | 9 1/2 | -1/8 |
| 14/2 5% Andriola | - | - | - | 113 | 81 | 72 | -8/8 |
| 11/2 1/2 Andriola | - | - | - | 11 | 17 | 17 | - |
| 10 1/2 ArrowA | - | - | - | 15 | 74 | 74 | - |
| 9 1/2 8 AstellIn | - | - | - | 31 | 75 | 74 1/2 | -1/8 |
| 4 2 2 AstroRc | - | - | - | 31 | 46 | 46 | - |
| 8 1/2 2/2 Atanri | - | 10 | 12 | 10 | 2 | 1 | - |
| 7 1/2 5/2 Atanri | - | - | - | 2 | 1 | 1 | - |
| 1 1/2 1/2 Atanri | - | - | - | 1 | 1 | 1 | - |
| 11/2 4% Atanri | - | - | - | 91 | 81 | 73 | -7/8 |
| 3 1/2 4% Atanri w/r | - | - | - | 463 | 45 | 45 | -1/8 |
| 10 1/2 Atanri | - | - | - | 10 | 445 | 51 | -1/8 |
| 10 1/2 AtanriEl | - | - | - | 10 | 204 | 204 | - |
| 2 1/2 AtanriEl | - | - | - | 198 | 204 | 204 | - |

| B | | | | | | | | | |
|------|------------------|-------|-----|----|-----|-----|-----|-----|-----|
| 135 | 34-B&H Mr | 90e | 424 | - | 26 | 101 | 116 | 116 | 116 |
| 4-8 | 17-BBHO | 78e | 57 | - | 18 | 24 | 24 | 24 | 24 |
| 17 | 11-BAT's | 78e | 57 | - | 11 | 121 | 121 | 134 | 134 |
| 81 | 70-BAT's | 73 | 31 | 14 | 1 | 23 | 23 | 23 | 23 |
| 28 | 19-BodgerM | 73 | 31 | 14 | 89 | 414 | 414 | 414 | 414 |
| 11 | 21-BodgerM | 73 | 31 | 14 | 20 | 20 | 20 | 20 | 20 |
| 4-12 | 21-Boulder | 73 | 31 | 14 | 89 | 414 | 414 | 414 | 414 |
| 23 | 18-Bonf-7 | 1,74e | 88 | 16 | 59 | 191 | 191 | 7 | 7 |
| 91 | 7-Bonf-7 | 22 | 11 | 15 | 18 | 18 | 18 | 194 | 194 |
| 25 | 18-BT cv-7 | 1,88 | 45 | 9 | 29 | 29 | 29 | 201 | 201 |
| 25 | 18-BT cv-7 | 1,70 | 9 | 15 | 20 | 20 | 20 | 14 | 14 |
| 1-2 | 2-Bonf-7 | 1,13 | 13 | 13 | 1 | 17 | 17 | 17 | 17 |
| 26 | 14-Bonf-7 | 1,13 | 13 | 13 | 7 | 25 | 25 | 25 | 25 |
| 14 | 14-Bonf-7 | 1,13 | 13 | 13 | 7 | 25 | 25 | 25 | 25 |
| 24 | 9-Bonf-RC's | 1 | 1 | 1 | 1 | 1 | 1 | 94 | 94 |
| 91 | 12-Bonf-RC's | .60 | 42 | - | 45 | 25 | 25 | 16 | 14 |
| 5 | 3-Bonf-RC's | 1 | 1 | 13 | 165 | 414 | 414 | 53 | 53 |
| 73 | 18-Bonf-RC's | 1 | 1 | 1 | 200 | 414 | 414 | 414 | 414 |
| 73 | 18-Bonf-Yen perf | 1 | 1 | 1 | 218 | 414 | 414 | 414 | 414 |
| 27 | 20-BSPMK'n | 2,01 | 54 | - | 46 | 337 | 37 | 37 | 37 |
| 2-7 | 1-Belmax | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 78 | 22-BenchE | 1 | 1 | 17 | 545 | 254 | 254 | 221 | 221 |
| 98 | 80-BergCo | 4,00e | 47 | - | 1 | 84 | 84 | 104 | 104 |
| 11 | 1-Bethel | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 |
| 21 | 18-Bethel-MI | .48 | 21 | 24 | 2 | 192 | 192 | 192 | 192 |
| 73 | 10-Ber A | 1 | 1 | 21 | 50 | 27 | 27 | 27 | 27 |
| 2-7 | 1-Biophm | 1 | 1 | 1 | 100 | 74 | 74 | 74 | 74 |
| 10-4 | 4-Biowar | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 31 | 21-BiscApp | 1 | 1 | 1 | 4 | 23 | 23 | 23 | 23 |
| 13 | 91-BI-BW | .96 | 9.6 | - | 1 | 104 | 104 | 104 | 104 |
| 13 | 91-BI-BW | .99 | 2.0 | - | 1 | 114 | 114 | 114 | 114 |
| 13 | 91-BI-BW | .99 | 2.0 | - | 1 | 104 | 104 | 104 | 104 |
| 14 | 94-BI-QD | .79 | 7.3 | - | 9 | 104 | 104 | 104 | 104 |
| 14 | 94-BI-QD | .77 | 7.4 | - | 12 | 104 | 104 | 104 | 104 |
| 12 | 95-BI-QYQ | .79 | 7.5 | - | 11 | 104 | 104 | 104 | 104 |
| 46 | 36-Bior A | 2,00e | 26 | 11 | 15 | 394 | 394 | 394 | 394 |
| 17 | 12-Bleach | 1 | 1 | 12 | 39 | 134 | 134 | 134 | 134 |
| 26 | 24-Bleach | 1 | 1 | 12 | 18 | 1 | 1 | 47 | 47 |
| 47 | 1-BloomB | .52 | 1.1 | 21 | 1 | 1 | 1 | 1 | 1 |
| 15 | 4-Bodie | .24 | 9.5 | 13 | 2 | 131 | 131 | 13 | 13 |
| 20 | 15-Bowfin | .72 | 4.8 | 13 | 10 | 1 | 1 | 1 | 1 |
| 4-1 | 2-Bowfin | .24 | 2.1 | 9 | 179 | 179 | 179 | 22 | 22 |
| 28 | 15-Bowfin | .36 | 1.4 | 14 | 12 | 174 | 174 | 174 | 174 |
| 19 | 11-Bowfin | .36 | 1.4 | 14 | 12 | 174 | 174 | 174 | 174 |
| 15 | 11-Bowfin | 1.04 | 7.3 | - | 71 | 120 | 120 | 414 | 414 |
| 14 | 1-Brock Co | 1 | 1 | 1 | 65 | 1 | 1 | 1 | 1 |
| 3-4 | 1-Button | 1 | 1 | 1 | 65 | 1 | 1 | 1 | 1 |

INTERNATIONAL HERALD TRIBUNE, SATURDAY-SUNDAY, JANUARY 7-8, 1995

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a stock has a stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise indicated, all dividends are annual disbursements based on

dividends or
payments of dividends are annual disbursements based on
a latest declaration.
a — dividend also extracts.
b — annual rate of dividend plus stock dividend.
c — theoretical dividend.
cd — called.

old - called.
d - new yearly law.
e - dividend declared or paid in preceding 12 months.
f - dividend in Canadian funds, subject to 15% non-residence
tax.
g - dividend declared after split-up or stock dividend.
h - dividend paid this year, omitted, deferred, or no action

—dividend paid this year, omitted, deferred or not taken at latest dividend meeting.
b—dividend declared or paid this year, an accumulative issue with dividends in arrears.

issue with dividends in arrears.
a — new issue in the past 52 weeks. The high-low range begins with the start of trading.
b — dividend all-time record.

with the S&P 500 index.
nd — next day delivery.
P/E — price-earnings ratio.
r — dividend declared or paid in preceding 12 months, plus

r — dividend declared or paid in preceding month.
s — stock dividend.
s — stock split. Dividend begins with date of split.
s/s — sales.

**— stock paid in preceding 12 months, estimated
— sales.**
**i—dividend paid in stock in preceding 12 months, estimated
cash value on ex-dividend or ex-distribution date.**

cash value on an ex-dividend or ex-distribution date;
u — new yearly high;
v — trading halted;
w — in bankruptcy or receivership or being reorganized unless otherwise indicated;
x — suspended or delisted by such company;

vi - In bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies.

ponies.
wd — when distributed.
wi — when issued.
wr — with watermark.

w — with warrants.
x — ex-dividend or ex-rights.
xds — ex-distribution.

xds - ex-distribution.
kw - without warrants.
y - ex-dividend and sales in full.

y — ex-dividend date sales in full.
ytd — yield.
z — sales in full.

FIRST COLUMN

1911.]

FIRST COLUMN

Regulation:
Stifling, or
Liberating?

THIS month, named for two-faced Janus, is a particularly good time to reflect on the ambivalent nature of financial markets. In trading currencies, stocks and bonds there is no such thing as objective truth. All news is either good (as it may well be for the dollar this year) or bad (as will probably be the case for bonds in the early months). If market sentiment is to buy dollars and sell bonds, just about all economic data, political turmoil and unexpected "fresh factors" will be interpreted accordingly. It all depends on the extraordinarily feverish thing known as market sentiment — it all depends which way Janus is looking.

Ask Janus to pronounce on homogeneity, the standardization of financial markets, and you will get a similarly ambivalent response. Is a good thing? The answer is yes and no: It all depends what you want, where you are coming from.

From an investment angle, homogeneity is broadly unwelcome. There are already rumblings of protest from early entrants to the lesser-known, or "emerging," markets that things are not what they used to be. Some purists argue that the increased popularity of emerging markets as a home for Western capital has led to an unwelcome standardization of investment conditions. The unique opportunities that the specialists like to boast about are being turned into targets for Western mutual-fund companies' money.

Consequently, the capital will flow into these opportunities, whether unique or not. The downside of this is doubly unwelcome: When the small investors decide they want their money back (if this happens on a large scale, it usually means panic), the mutual funds must sell, however reluctantly. So these special, long-term investment prospects may suddenly be starved of capital and the markets will suffer the consequences of attracting the capital of the masses. It is as if some ultra-smart restaurant has been discovered and ruined by the tourist trade.

If you want regulation and good financial reporting from international companies, however, homogeneity is essential. But the goal of internationally accepted accounting standards is far from being achieved. Hence the variety of regulatory bodies across so many financial centers. Hence, particularly, the importance that they do their jobs well.

M.B.

Benefit of International Funds Is Taxes, and, Well, Taxes

By Barbara Wall

In their quest for new and innovative investment products, adventurous investors in many countries are increasingly looking beyond locally based funds to the international funds market. But, aside from the substantive investment question of whether these funds are good investments in themselves, there are other, more practical aspects to consider.

For the individual investor the first question is where to find information on such funds. For the fund management groups who sell these products, the difficulty is how to retail across national frontiers while complying with regulatory and taxation constraints. Some industry observers doubt whether international fund management groups will ever achieve the mass appeal they crave.

After the investor and the fund company have found one another, the real benefits and perils of offshore investment become obvious. The benefits include taxation advantages — an important, if not the prime, reason for investing in funds domiciled offshore. The counterbalancing risk of offshore investment is security. As evidence of this, the investor should look for either a safety net in the form of a compensation plan, or a financial police force, in the form of regulators.

Marketing and Taxation

The application throughout the European Union of the directive on open-ended collective investment undertakings, known as UCITS, removed many regulatory barriers to the cross-border marketing of funds. Nevertheless, significant tax advantages are available.

The problems for funds wishing to market across borders elsewhere in the world are even greater due to the complete absence of regulatory and of taxation norms.

Many of the international funds are based in such so-called offshore tax havens as Dublin, Luxembourg and Jersey, where income and gains produced by the funds are tax free.

However, Robert Finney, a tax specialist with the London law firm Denton, Hall, Bergen & Warren, warns that the taxation of the fund in the home country is not the main concern.

"Most fund jurisdictions have favorable tax laws," he said. "Investors should be more concerned about how the investments are to be taxed in the target country and the availability of treaty benefits before they part with their money."

Some countries will impose a withholding tax on investment dividends and interest paid to the fund. If the fund is located in a jurisdiction which has a double taxation treaty with the country where the investments are being made, withholding tax can be reduced or even eliminated.

The tax treatment of investors in the home country also requires careful examination. Most investors will be subject to tax on income derived from the investment and on gains realized on the investment. A credit may be available for foreign taxes paid, but this is not a foregone conclusion. If the fund is not deemed fiscally transparent, the investor may not be able to obtain a credit for any underlying taxes paid by the fund.

"In many cases, investors will find that, from a tax angle, they are better off investing in a local fund rather than in a foreign-based fund," said Robert Barker, a tax partner with the accountants KPMG Stokes, Kennedy, Crowley in Dublin. "This is because a number of countries have a bias in the tax system against individuals investing in foreign funds."

For example, Italy levies a net-worth tax on the value of interests in foreign funds held by Italian residents at twice the rate levied on domestic funds. Meanwhile, German investors are taxed on the income and gains of a nonresident fund, whereas locally based funds are tax free.

Some jurisdictions have attempted to attract nonresident investors by revising existing taxation legislation. "Until recently, a U.K. UCITS was considered a poor choice for nonresident investors because of the way in which the fund was taxed," said Howard Ross, a tax partner with the law firm Clifford Chance in London.

"Since the tax laws were changed," he added, "a U.K. UCITS can compete on an equal footing with UCITS products from other EU countries."

Luxembourg continues to attract the lion's share of international fund business by virtue of its central location and favorable infrastructure, but Dublin is beginning to catch up in the popularity stakes.

Both domiciles have the distinction of being offshore in the sense that income and gains from investments are tax-free for nonresidents, but on-shore in that they are members of the EU and can be used as a base from which to market pan-European investment products.

The Cayman Islands, British Virgin Islands, Bermuda, and the Turks and Caicos Islands offer all the tax advantages of European offshore locations but they are rarely used as a base for retail funds. Tim Shipton, a tax partner with the law firm Linklaters & Paine in London said that these locations are an ideal base for highly geared designer funds because of the absence of regulatory constraints.

"There are few, if any, investment restrictions, and funds can be set up quickly with the minimum of documentation," he said.

Tom Phillip, a tax partner with Baker & Mackenzie in London, said, "The local regulatory environment is extremely important where investor security is concerned."

Regulation of Mutual Funds Numbers (left column) refer to nine questions on fund regulation

| 1 Argent. | 2 Australia | 3 Austria | 4 Bahamas | 5 Belgium | 6 Bermuda | 7 BVI | 8 Canada | 9 Caymans | 10 Cyprus |
|---|-------------|---------------|-----------|-----------|-------------|-----------|----------------|-------------|-----------|
| 1 yes | yes | yes | yes | yes | yes | no | yes | yes (2) | yes (2) |
| 2 yes | yes | no | yes | yes | yes | yes | yes | yes | yes |
| 3 no | yes | no | yes | no | yes | yes | yes | yes | yes |
| 4 no | yes | no | no | no | yes | yes | yes | yes | yes |
| 5 yes | no | no | no | no | no | no | no | no | no |
| 6 yes | no | no | no | no | no | no | no | no | no |
| 7 no | no | no | no | no | no | no | no | no | no |
| 8 (1) 100,000 | 100,000 | 65,000 | \$2,000 | \$10,000 | \$20,000 | \$10,000 | \$25,000 | CdS (1) | 100,000 |
| 9 3 2-6 | 1 | 1 | 2-3 | 1-2 | 1 | 3 | 2-3 | (1) | (1) |
| Denmark | Finland | France | Germany | Gibraltar | Guernsey | Hong Kong | Ireland | Isle of Man | Italy |
| 1 yes | yes | yes | yes | yes | yes | no (3) | yes | yes | yes |
| 2 yes | yes | no | no | yes | yes | yes | yes | yes | yes |
| 3 no | yes | no | no | yes | yes | yes (6) | yes | no | no |
| 4 yes | no | no | no | yes | yes | yes | yes | yes | no |
| 5 no | no | no | (5) | no | no | no | no | no | no |
| 6 yes | yes | yes | yes | yes | yes | yes | yes | yes | yes |
| 7 no | no | no | no | no | no | no | no | no | no |
| 8 DK100, 200,000 | (1) | 100,000 | 100,000 | 10,000 | 10,000 | 60,000 | US\$50,000 | £15,000 | £50,000 |
| 9 1-6 | 2-3 | 3 | 6 | (1) | 2-3 | 1-2 | 1-3 | 1 | 1 |
| Japan | Jersey | Korea | Luxemb. | (6) | Malaysia | Malta | Netherlands | Neth. Ant. | Philipp. |
| 1 yes | yes (12) | no | yes | yes | yes | yes | yes | no | yes |
| 2 yes | yes | no | yes | yes | yes | yes | yes | yes | yes |
| 3 yes | yes | no | no | yes | yes | yes (13) | yes | yes | yes |
| 4 no | yes | no | no | no | yes | yes (13) | yes | yes | no |
| 5 no (4) | yes | yes | no (5) | no | no | no | no | no | no |
| 6 no | no | yes | no | yes | yes | no (13) | no | no | no |
| 7 no | no | yes | no | yes | yes | no | no | no | no |
| 8 (1) | (1) | FF750,000,000 | US\$8,000 | (8) | (1) | US\$5,000 | £12,000 | £250,000+ | 8,000 |
| 9 1-3 | 1-2 | 1 | 3-6 | 6-12 | (8) | 3 | 1 | 1 | — |
| Portugal | Singapore | S. Africa | Spain | Sweden | Switzerland | Taiwan | Turks & Caicos | U.K. | U.S. |
| 1 yes | yes | yes | yes | yes | yes | yes | yes | yes | yes |
| 2 yes | yes | yes | yes | yes | yes | yes | yes | yes | yes |
| 3 yes | yes | no | no | no | yes | yes | yes | yes | yes |
| 4 no | yes | no | no | no | no | yes | yes | no | yes |
| 5 no | no | yes | no | no | no | no | no | no | no |
| 6 yes | no | yes | yes | yes | yes | n/a (12) | no | yes | yes/no |
| 7 no | no | yes | yes | no | no | no | no | yes (9) | yes (10) |
| 8 Esc50m-75m | R3m | — | SeK3,000 | SF50,000 | US\$ | — | £12,000 | £250,000+ | — |
| 9 3-4 | 6-12 | 3-12 | 12-18 | 2-3 | 2-4 | 3 | — | 1+ | 0-12 |
| FOOTNOTES: 1) Too variable to usefully estimate. 2) If public company. 3) If listed, must provide accounts to stock exchange. 4) No legal restriction, unlikely to be allowed in practice. 5) Provided it remains widely held if UCITS. 6) No UCITS. 7) Yes for manager, no for trustee. 8) Law on funds pending. 9) Managers restricted, trustees not. 10) Some states restrict fees. 11) Only closed-end funds may borrow. 12) SIB recognized only. 13) Except for UCITS. | | | | | | | | | |
| Source: KPMG Stokes, Kennedy, Crowley | | | | | | | | | |

International Herald Tribune

shore fund attractive. Some investors choose offshore funds to avoid currency controls, or to obtain the protection of confidentiality laws. Other investors use them for financial planning, such as to control the location of assets for estate purposes. Unfortunately, some offshore locations have an unfavorable reputation because a few investors attempt to evade

potentially at the highest marginal rate of 39.6 percent.

Take the hypothetical example of a British investor with £25,000 (\$39,000) to invest. This investor is excited about the long-term growth prospects of companies specializing in cleaning up hazardous wastes in Eastern Europe. Since this is a new area that could involve high risk, he might find such an investment through an offshore fund based out of the Cayman Islands or Cyprus, which levy no capital gains tax.

In deciding where to locate an offshore fund, the fund organizer tries to match the fund's investment plan (i.e., initial cash distribution then long-term growth, or just long-term growth) with the paradise offering the best tax consequences. At least 50 countries exempt capital gains from tax.

Individual investors pay taxes to the governments where they are tax residents. Investors from different tax jurisdictions will have different tax consequences from investing in the same fund. Some investors, such as Americans living abroad, can be tax resident in more than one country. Some funds design their investment and marketing strategy for a certain type of investor to minimize his taxes.

Even after considering an individual investor's home country taxes, offshore funds are often advantageous. Some countries tax their residents on the capital gains generated by the fund. Offshore funds tend to have minimal capital gains because they hold the securities for long-term growth. Even those funds that generate some capital gains may be beneficial if, for example, the home country tax of the investor is levied at a beneficial capital gains rate.

An investor subject to French tax pays a flat 19.4 percent capital gains tax instead of up to the highest marginal rate of 36.8 percent at 553,460 French francs (\$103,500). If the total annual proceeds are less than 336,700 francs, then the capital gain is completely exempt from French tax. An American investing in a similar offshore fund would pay U.S. tax at the capital gains rate of 28 percent, instead of

potentially exits from the fund. At that time, assuming the fund had no realized capital gains, but its value grew at 10 percent annually, the £25,000 investment would have increased to £40,263, with a maximum (after exemption) of £9,463 of the gain being taxed at the marginal rate of up to 40 percent.

Offshore funds can have different legal forms, such as trusts, corporations or even partnerships. This can make a significant tax difference. For example, a U.S. citizen can potentially defer tax by investing through a foreign corporation. However, if the corporation is a so-called controlled foreign corporation or passive foreign investment company, special rules can apply that eliminate U.S. tax deferral. A U.S. taxpayer may prefer investing through a vehicle such as a limited partnership that requires less tax compliance.

There are other specialized funds that

are generally exempt from capital gains tax, such as offshore unit trusts (located in Jersey or Hong Kong) and SICAVs (located in the European Union). However, due to stricter regulation, they often offer a lower rate of return than many offshore funds.

Investors should be cautioned that while these offshore funds may offer significant investment opportunities and tax advantages, they also involve correspondingly greater risks due to reduced regulation and fewer controls over their organizers. The prudent investor is well-advised to fully assess these risks before shipping off any investment capital to an offshore fund.

Rodney W. Burton is a partner with S.G. Archibald in Paris, and Kirsten J. McDonough is a manager with Arthur Andersen International in Paris.

A Primer on Offshore Funds: Their Use, Abuse and Other Advantages

Generally, offshore funds tend to invest in securities that can be expected to appreciate significantly over the long term.

Offshore funds offer investment opportunities and risks investors won't find in traditional markets because they generally have less regulation. Since these funds have lower costs of complying with burdensome regulations, they can pass those savings on to the investor.

In addition to the potential regulation cost savings, there are several other reasons why an investor might find an off-

Geared investment.

Dollar Investment Package
High-risk investment in USD or USD-related currencies. Geared investment.

